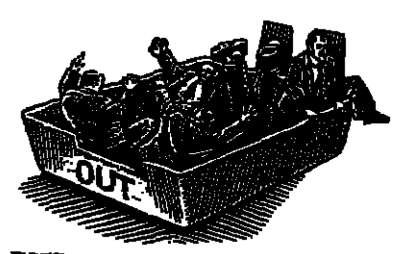

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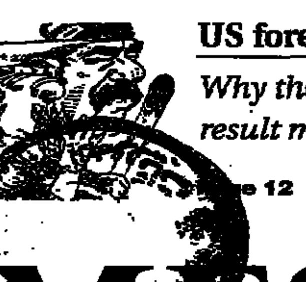

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

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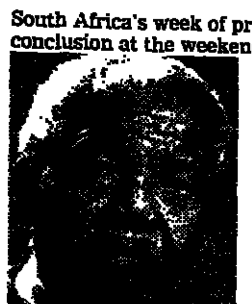
Curbing political violence tops S African agenda

South Africa's week of protest came to a subdued conclusion at the weekend, overtaken by the



prospect of a United Nations observer mission to the country and a call for a thorough investigation of the security forces. The disclosure that Mr Nelson Mandela (left), leader of the African National Congress, spoke to President F.W. de Klerk by telephone on Friday, the first direct communication between the two for weeks, increased speculation that an early resumption of the stalled constitutional negotiations was likely. Page 14

Trade talks hitch: American negotiators racing to complete the North American Free Trade Agreement pact before next week's Republican convention, were reported to have run up against objections from Mexican officials about sharing government procurement contracts in the state-owned oil sector with Canadian and American companies. Page 3

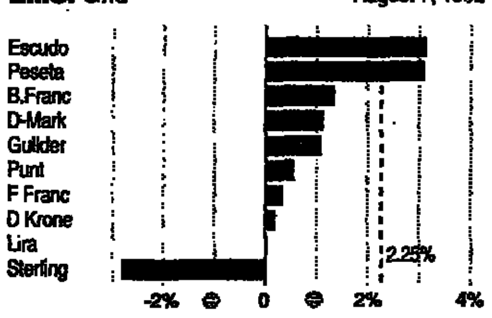
UK recycling undermined: UK capacity to recycle waste paper is being sharply eroded by German environmental initiatives, in some cases undercutting UK prices by as much as 15 per cent and rendering many UK operations unprofitable. Page 14

Kabul under fire: The Afghan government failed to negotiate a ceasefire between rival guerrilla factions in Kabul as thousands of residents fled, and shelling killed at least 11 more people.

New figure in Bombay scandal: The arrest of former leading public-sector industrialist V. Krishnamurthy, charged with offences under the Prevention of Corruption Act, deepened India's Rs35bn ($1,200m) financial scandal. Page 4

European Monetary System: Sterling started the week even more firmly entrenched at the bottom of the European monetary system's grid. Its differential against the Italian lira, the next weakest currency, has widened to 3.2 percentage points after the pound closed against the D-Mark at DM2.8250 on Friday night. Sterling's differential against the strongest currency, the Portuguese escudo, has also widened and is still outside the permitted differential of 6.18 percentage points. Dealers expect the Bank of Portugal to intervene again in the market this week, buying sterling, to keep both the pound and the escudo within their permitted limits. Currencies, Page 25

EMS: Grid — August 7, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with six per cent fluctuation bands.

Shia scholar buried: The world's leading Shia Moslem scholar, Abdolqassem al-Khoei, was buried in the Iraqi holy city of Najaf at a ceremony attended by a large crowd.

UK share flotation rules to change: The London Stock Exchange is to relax rules on flotations after a series of poorly-received public offers, where the issues were seen as failures, although the companies and their shareholders raised the capital required. Page 15

London's forex role under threat: London's position as the foreign exchange capital of the world is at risk, says a US think tank report. Page 15

Olympia & York creditors act: A banking group led by JP Morgan and Bank of Montreal has threatened legal action to seize the cash flow from six O&Y office buildings in New York and Los Angeles amid signs of growing creditor impatience. Page 16

Poison ship stopped: A German freighter carrying poison gas components to Syria was stopped in Cyprus last week and ordered to return its cargo to India after a tip-off from Germany's foreign intelligence service, Bonn said.

Iraqi inspections resume: A United Nations inspection team, barred by Baghdad from entering government ministries, completed its first day of searches without incident. Page 3

Ninety feared dead in landslide: More than 90 were feared dead in north-east India when a hillside collapsed under heavy rain, crushing a settlement of migrant workers.

Italians break Atlantic record: A 220-ft Italian speedboat, the Destriero, broke the record for crossing the Atlantic with a time of 58 hours 34 minutes, beating the previous mark of 79 hours 54 minutes, set in 1990 by the catamaran Hoverspeed Great Britain.

Differences remain on degree of military involvement in former Yugoslav republic

UN may back force in Bosnia

By Roger Matthews and Nancy Dunne in Washington and Judy Dempsey in London

WESTERN governments were struggling yesterday to agree on the scope of military involvement in Bosnia-Hercegovina as the United Nations Security Council prepared to sanction some form of armed intervention.

Despite mounting pressure from public opinion and opposition political parties for the UN and Nato to stop the fighting in the former Yugoslav republic, the UK and US remain determined not to become bogged down in what President George Bush called a "quagmire".

Mr Lawrence Eagleburger, the US deputy secretary of state, said the situation in Bosnia was "a civil war based on 500 to 1,000 years of history...These ethnic groups are intermixed in ways you cannot separate them out."

But he said he was confident the Security Council would reach agreement early this week on a resolution to use "all necessary means" to ensure safe passage for humanitarian relief.

He added, however, that the US was not prepared to go beyond the provision of aid. To do so could require use of force.

Mr Brent Scowcroft, the president's national security adviser, claimed the US was "leading the

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way" and differences with the UK and France over the role and command structure of forces protecting aid convoys would be resolved.

Mr Douglas Hurd, the foreign secretary, said he hoped there would be an agreement on a UN resolution "which will put the emphasis on the escorting, the protection of humanitarian help so that it can be stepped up."

However, he said the "Americans, the Germans, and we ourselves are very reluctant to commit ground troops."

In Germany, Chancellor Helmut Kohl said he would endorse the use of force under a UN mandate to protect relief convoys in Bosnia. He also demanded more concerted European Community action to stop the ethnic fighting.

The European parliament will today hear from Mr Paul Grossrieder, deputy director of the International Committee of the Red Cross, about the fate of refugees, and the existence of detention camps in Bosnia.

The soul-searching by western governments over how to respond to public pressure was reflected in President Bush's press conference on Saturday.

He insisted that not one US soldier would be committed to what was Yugoslavia without the administration being confident that it knew precisely how he would get out again.

Time and again the president's aides have warned of the US getting into a quagmire of Vietnam proportions. "We're not going to get bogged down in some guerrilla warfare," the president said at his holiday home in Kennebunkport.

Mr Bush rejected accusations,

Continued on Page 14

Britain wary over sending in ground troops

By David Owen

THE USE of force to deliver humanitarian aid to victims of the fighting in Bosnia may well be necessary, Mr Douglas Hurd, the UK foreign secretary, acknowledged yesterday.

He emphasised, however, that the identity of the forces who might provide this protection had "not yet been worked out".

As public pressure on the government to do something to end the suffering of the region's inhabitants continued to mount, Mr Hurd again underlined the reluctance of Britain, the US and Germany to commit ground troops to the former Yugoslavia.

Speaking on BBC Radio 4's The World This Weekend, he said current talks between Britain, the US and others were focusing on ways of affording better protection "with the UN agencies and the humanitarian effort already on the ground rather than replacing it".

As the likelihood of a UN resolution on protecting the flow of aid to the region appeared to be growing, Mr Hurd said "a certain amount" of Nato contingency planning had been going on. But he ruled out exerting military force to separate the combatants.

Speaking on the eve of a visit to Brussels by Mr Douglas Hogg, UK foreign office minister, to discuss the proposed London conference later this month on the region's problems, Mr Hurd said he hoped the UN would pass a separate resolution on conditions in the notorious Serb-run camps. This should require full access to the camps and an assurance that they are "decently run", he said.

Conditions in the camps are to be inspected this week by Mr Paddy Ashdown, the Liberal Democrat leader who is visiting Bosnia. Mr Ashdown yesterday called for action by the west to ensure the conflict "is brought to a lower level of intensity".

Mr Hogg's meeting with the European Commission today will include discussions on how to improve the effectiveness of economic sanctions against Serbia and Montenegro.

Games prove a runaway success for Spain

By Peter Bruce and Peter Berlin in Barcelona

RIGHT DOWN to yesterday's agonisingly close waterpolo final between Spain and Italy, nothing in recent Spanish history has done more to bring the nation's people together than the Barcelona Olympic Games.

Brilliantly organised, executed and hosted by Barcelona, it seemed that the Games – which ended with last night's victory in the men's marathon by South Korea's Young C Hwang – would finally bury the bitter nationalist rivalries created by the end of the Franco dictatorship in 1975.

National and regional leaders, uniting to celebrate an unexpected success for Spanish athletes, have ignored old differences to hail an Olympiad which has seen Spain win 13 gold medals.

Even Mr Jordi Pujol, leader of the nationalist Catalan government, has embraced the Iberian cause. He has spent most of the Games biting his nails and whooping for Spanish victories in the company of King Juan Carlos and Queen Sofia. These are images that might bury forever Madrid's fear that he represents anything more than a proud regional tradition content to embrace the Spanish crown.

The spirit of unity reached its climax when thousands of red and yellow Catalan flags rose to salute Fermin Cacho of Soria in the Castillian heartland when he burst through the leaders to win the men's 1,500m gold medal on Saturday night.

His victory marked the culmination of a series of home victories that ensured Barcelona became not a platform for extremists, but the place where all of Spain enjoyed some of its finest hours in a century.

Spanish success, which included golds in athletics, swimming, hockey, football and cycling, has been greeted with delirium by the home fans.

Spain, however, is not the only emerging nation to break the tape ahead of sporting giants. South Korea, which won 33 medals in Seoul, has won 30 in Barcelona.

Amateur sportsmen from amateur nations, however, have also

Continued on Page 14

Golden moment: The Brazilian men's volleyball coach is hoisted in the air after Brazil beat the Netherlands in the final

US and Israel close to accord on Mideast peace talks

By Roger Matthews in Washington

A DISTINCT improvement in relations between the US and Israel will be marked today when President George Bush and prime minister Yitzhak Rabin hold the first of two meetings.

Although preparations for the talks, at Mr Bush's holiday home in Kennebunkport, Maine, have been overshadowed by the mounting controversy over the crisis in Bosnia-Hercegovina, the two leaders are expected to reach broad agreement on the provision of US loan guarantees and on the next stage of Middle East peace talks scheduled to resume in Washington in two weeks.

Prospects for progress at the next round of talks received a boost yesterday when Israel proposed legalising contacts with the Palestine Liberation Organisation, firmly viewed as a terrorist organisation by the government of former prime minister Mr Yitzhak Shamir.

Mr Bush and Mr James Baker, the secretary of state, made no secret of their wish for Mr Rabin to lead the Labour Party to victory in June's elections. Under Mr Shamir, relations between Israel and the US had fallen to their lowest level since the Israeli invasion of Lebanon and siege of Beirut in 1982.

Mr Shamir's refusal to contemplate relinquishing control over

Bush: hoping for agreement

the Arab territories occupied by Israel in 1967 came to be seen in Washington as the main obstacle on the path towards a Middle East peace agreement.

The US response to Mr Shamir's commitment to retain the territories was to refuse the $10bn in loan guarantees Israel needed to house Soviet immigrants, unless Israel first stopped building new settlements in the West Bank and Gaza. The refusal represented the most serious setback suffered by Israel in Washington for many years and Mr Rabin has moved quickly to ban most new settlement building in the occupied territories.

The loan guarantees are unlikely to be provided without some further debate. Suggestions have been made that the US would like some offset arrangement included in the deal allowing American companies to participate in the building programme and lessen domestic criticism over levels of US aid to the developing world.

Mr Rabin is also expected to outline to Mr Bush the proposals that Israeli negotiators will put on the table when peace talks resume in Washington. He is looking for agreement by early next year on an interim Palestinian self-governing authority which would administer the territories prior to a conference to decide their status.

With Mr Rabin keen to demonstrate early achievements in the face of hostility from the right-wing and settlers' organisations at home and Mr Bush trailing far behind Governor Bill Clinton in the presidential election race, both men have powerful reasons for wanting talks to succeed.

A succesful resumption of Middle East peace negotiations might also allow Mr Bush to deflect some of the political damage done to his Gulf War triumph by the fresh challenges to UN ceasefire agreements being made by President Saddam Hussein.

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Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4 00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Peo45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

Invitation to visit centres welcomed

By Ian Rodger in Zurich

THE International Committee of the Red Cross (ICRC) yesterday welcomed the invitation to its officials by Mr Radovan Karadzic, leader of Bosnia's insurgent Serbs, to visit more Serb-controlled detention centres.

But it ruled out taking control of the centres itself.

Mr Karadzic also said he would free detainees over the age of 60.

"We feel these are moves in the right direction," Mr Pierre Gauthier, ICRC spokesman, said yesterday. He added that the ICRC had been demanding for some time access to all detention centres, as well as the unconditional liberation of all detainees not involved in the conflict.

He said the ICRC had been active in Bosnia for a month, and its 25 officials there had visited 10 detention centres, among them centres controlled by each of the three groups in the conflict.

It was drawing up a new list of centres to visit. "Omarska is one of our priorities," he said, referring to the camp in northern Bosnia where British journalists last week found emaciated and terrified men behind barbed wire in a situation reminiscent of Nazi concentration camps.

However, Mr Gauthier dismissed suggestions that the ICRC itself take control of some centres.

"Our role is to observe, register and make recommendations to protect detainees. It is not for us to take the place of the authorities, but to make sure that they keep the responsibility," he said.

ICRC procedure is to report its findings in confidence to the responsible government authority.

If nothing is done to eliminate abuses, it then reports, also in confidence, to the countries that have signed the Geneva convention, urging them to put pressure on the offending government.

If that fails to produce results, it condemns the offending government publicly. It takes this ultimate step reluctantly because it usually means its officials will be expelled and the detainees' circumstances will deteriorate.

The ICRC was forced to leave Bosnia-Hercegovina last May after its aid workers were shot at and it was repeatedly hindered in its activities.

While Serbs try to save face, the sieges go on and Bosnia's Moslems are still suffering

Detention camps distract the world's attention

By Judy Dempsey

SINCE television pictures of Serb-controlled detention camps flashed across the world last week, Mr Radovan Karadzic, head of Bosnia's Serbs, has been engaged in an apparent face-saving exercise.

He has asked the International Committee of the Red Cross to inspect the camps and suggested they be placed under international supervision. Western diplomats said at the weekend that all camps – Croat, Serb, and Moslem – should be opened and put under international control.

But this could play into the hands of the Bosnian Serb leaders. If they are set free, the thousands of people held in the camps will become the problem of the international community.

"They will become refugees. Their homes have been destroyed. They have nothing left to go home to. They will have to seek refuge in some other European country. That is exactly what Mr Karadzic and his friends want," a diplomat in Belgrade said yesterday.

Moreover, in focusing on the camps, Serb leaders in Bosnia hope to deflect western governments' attention from what is taking place elsewhere.

The Bosnian capital of Sarajevo is entering its fifth month of siege by Serb irregulars. In north-west Bosnia, the same forces are besieging Bihac, where Moslems make up 67 per cent of the population of 70,800. The town could be another Sarajevo, said the United Nations High Commissioner for Refugees at the weekend.

In the east of the republic, Serb irregulars have kept the town of Gorazde under bombardment for four months. They continue to prevent food and medicine from reaching the 37,000 inhabitants, 70 per cent of them Moslem. Yesterday they threatened a final assault to capture the town.

Also in eastern Bosnia, Tuzla, whose Moslem population makes up 47 per cent of the 131,000 inhabitants, has been repeatedly attacked by Serb irregulars over the past three months.

"What we must not lose sight of is the land-grab being undertaken by Serbia in the east, and in the north-west of Bosnia, and by Croatia in the west of the republic, in Hercegovina," a US diplomat in Belgrade said yesterday.

"However terrible the camps are, we must not forget that Bosnia is being divided by Croatia and Serbia, and that the Moslems are the victims of this aggression. Serbia will stop bombarding these towns once they have got what they want."

For this reason, the Bosnian leadership – which is not exclusively Moslem – continues to call for international military intervention to prevent further destruction of the republic and deportation of the Moslem community. Moslems make up 43 per cent of the 4.3m population of Bosnia, where Serbs, who account for 31 per cent, now control 70 per cent of the territory.

Bosnians believe even military force to back up the international humanitarian aid effort will not stop the deportations, or the wholesale destruction of their towns and cities.

"Take the siege of Sarajevo. The Serbs want to draw a green line through our city," said Mr Haris Silajdzic, Bosnia's foreign minister. "They want to create ethnically pure cantons throughout Bosnia. What will the Moslems be left with? What will become of the kind of centuries-old co-existence of Serbs, Croats and Moslems in Sarajevo?"

A senior UN official in Belgrade said: "The war has radicalised the Moslems. They feel betrayed by the slow, indecisive, and late response by western governments. Why should they believe in a ceasefire when they see it only consolidates the gains made by the Serbs – and the Croats?"

● Mr Jacques Delors, president of the European Commission, is to address an emergency meeting of MEPs in Brussels today about the crisis in Bosnia, Andrew Hill reports from Brussels.

The deputies are expected to voice concerns about the plight of refugees from Bosnia and the detention camps in the former Yugoslavia.

Mr Paul Grossrieder, deputy director of the International Committee of the Red Cross, will tell the meeting about the detention camps, following last week's graphic descriptions of the suffering of Moslem captives.

The meeting will also be attended by representatives of the UN High Commission for Refugees.

Mr Egon Klepsch, president of the European Parliament, has called together up to 130 members of a number of parliamentary committees – including those on foreign affairs and security, and on civil liberties – to discuss the crisis.

The parliament is expected to issue at least a declaration on the refugee problem, but it is likely to have only symbolic value, as the principal EC policy decisions on the crisis are in the hands of the member states, under the British presidency.

Moslem and Croat prisoners of war sit in the Serb-run camp at Manjaca, near the Serb-controlled town of Banja Luka in north Bosnia

'I know the people who burned my house and took me prisoner. They were my friends and neighbours'

FOUR Moslem women arriving in Sarajevo yesterday spoke of gang rapes, beatings, looting and arson by Serbs, many of whom were their friends and neighbours before war engulfed Bosnia-Hercegovina, Reuter reports from Sarajevo.

Three of the women, aged 15-20, said they were among more than 100 women repeatedly gang-raped over seven days in late July and early August after being rounded up at a school in Rogatica, victims of an "ethnic cleansing" campaign to drive non-Serbs out of the town, where 12,000 Moslems once lived.

"I know the people who burned my house and stole my things and took me prisoner. They were my friends and neighbours," Saida Ajanovic, 42, said.

She said the Serbs sent her and her 20-year-old daughter Samira by bus to Sarajevo four days ago with about 300 other people held for a week at the school in Rogatica.

Samira said she was taken from the school by armed men on the night of August 1, driven around with a knife at her throat for three hours and then taken to the flat of a Serbian neighbour she named.

"First he raped me and then the others came – two men I didn't know – and they raped me too," she said. "He is married, he has two children, but he did this terrible thing to me." Samira said she was raped four nights out of the seven she was held at the school, always at gunpoint around midnight.

Two of Samira's friends who arrived with her in Sarajevo also said they were gang-raped.

Edina Zimic, aged 15, said she was taken by armed men from the school on July 30 and hauled to the headquarters of a local Serbian military commander.

"He asked me questions about where Bosnian units were around the town and wanted to know if I would take a Serbian name," she said. "Then he took me to a flat and raped me."

She said she was raped on two other nights during the week at the school, once by three Serbian men she knew.

Edina's 17-year-old sister Elvira said she was gang-raped on three occasions, twice on the floor of the school and once in a flat where five Serbian men assaulted her.

She was also made drunk on wine and then forced to sit on a mine. "Now that we think about it we know there was no danger because the Chetniks [Serbian extremists] stayed in the room too. But at the time I was terrified," she said.

Saida Ajanovic, a widow whose husband died in the fighting, said all the young women held at the school, over 100 in all, were raped, including mothers with children.

"My cousin, Dzananovic Safa, died at the school," she said. "She was a diabetic but the Serbs would not let her take her medicine."

The four women said the Moslem section of Rogatica had been devastated, much of it by fire. They said they were robbed of gold and jewellery at gunpoint and their possessions looted. The only Moslems now left in the town were about 30 young men doing forced labour for the Serbs.

Germans brace for holiday price war

By Christopher Parkes

THE German travel industry is braced for a package holiday price war with British and Dutch tour operators next year.

It expects hostilities to break out next summer, following the opening of the European single market on January 1. The low-price sector on routes to Spain, Greece and Italy will be the first affected, according to officials of ITS, one of Germany's leading tour operators.

There were "clear signs" the competition was preparing to move in, with packages up to DM120 (£42.50) cheaper than those now on offer.

UK and Dutch prices were lower, the officials said, because their pilots and cabin staff were paid less than German workers, and they made greater use of their transport capacity. "A German aircraft flies 3,300 hours a year and an English one 4,200. Obviously greater capacity use reduces costs," ITS said.

The company, part of the Kaufhof department store group and fourth biggest travel agent in Germany, expects total industry sales to increase by between 5 and 10 per cent next year.

Deutsche Bank estimates Germans will spend about DM56bn on travel during 1992.

ITS, which announced on Friday average price increases of 1.5 per cent for the 1993 summer season, expects its domestic sales to rise 23 per cent this year to almost DM1bn.

Kohl cannot win on abortion ruling

By Christopher Parkes in Bonn

MOTHER knows best. Chancellor Helmut Kohl may well have reflected on the old saw as he contemplated last week's interim injunction from the constitutional court in Karlsruhe, which blocked the introduction of Germany's new abortion laws.

A long time ago, the story goes, young Helmut came home congratulating himself on a powerful anti-abortion speech in the state parliament of the Rhineland Palatinate. His mother, the story continues, warned him then: "Son, better hold your tongue. You don't understand anything about it".

While some of the fire may have faded in his later interventions, Mr Kohl held his ground during sporadic liberalisation debates throughout his career.

But the issue emerged again, uncomfortable as ever and this time unavoidable, after unification, when it became essential to end the conflict between laws in east and west Germany.

In essence, the decision on whether a woman was allowed an abortion lay with the woman in the former GDR, and with her doctor alone in the west.

Mr Kohl was consistent during the following two years of tormented political and moral debate.

With one eye on his Christian Democrats' closest allies, the catholic Christian Social Union of Bavaria, and one hand on the constitution, which states "everyone shall have the right to life and to inviolability of his person", he maintained his opposition to relaxation.

But a free parliamentary vote on an amendment in June, granting a woman the right to abortion up to 12 weeks provided she accepted counselling, swept him and his allies aside as eastern CDU members and Liberal Democrats joined the opposition for the day.

An appeal for an injunction went immediately to Karlsruhe, supported by 247 centre-right Bundestag members and the entire Bavarian government.

As the muted reaction from CDU ranks demonstrated, last week's interim decision was not counted as a victory. It was more a defeat for the chancellor's efforts to restore national faith in his ability both to govern and his government's capacity to reflect popular concerns.

Mr Kohl's popularity, hit by internal and external economic troubles, the failure of the east to develop into his promised "blooming landscape", the flood of refugees and doubts over the Maastricht treaties on European unity, is already at a level which could cost him power if an election were held now.

Opinion polls have consistently shown an increasing desire for easing of Germany's restrictive abortion laws. The latest, taken among 3,000 people in June, showed 76 per cent – and 67 per cent of CDU/CSU voters – in favour of the blocked amendment.

The Social Democrat opposition can be counted on to continue the debate outside the court and the confines of the Bundestag, until the court delivers its definitive judgment at the end of the year. One aim will be to deepen further the rifts between the CDU core, its disenchanted membership in the east, and its Bavarian colleagues.

The Karlsruhe ruling, a masterpiece of technical talk from a panel of seven male judges and one woman, resolved nothing. The constitutional issue, the heart of the plaintiffs' case, was not even addressed.

Whatever the final outcome, Mr Kohl cannot win. A verdict for the amendment will be read as a clear defeat for his government while a vote against will mean the defeat of a clear majority of the electorate.

Storms hit French vineyards

STORMS swept across France at the weekend, killing a tourist, overturning caravans, blowing off roofs and battering vineyards, Reuter reports from Bordeaux.

In the worst-hit southwest region, lightning started some 30 fires in the Landes forest and several people suffered head injuries as hailstones the size of eggs fell on Bayonne, smashing glass and punching holes through roofs.

High winds blew off the roofs of several hundred homes and felled trees, wrecking cars, caravans and tents in camping grounds.

Farmers said a hailstorm rolled through several kilometres of Bordeaux's Medoc vineyards, only a few weeks before the harvest.

They estimated some farms around Margaux could lose up to 40 per cent of the crop. But the area's best-known vineyard, Chateau-Margaux, was spared.

Swiss go border-hopping in search of food bargains

Subsidies for Alpine farming are producing high prices and more 'consumer tourists', writes Ian Rodger

THE EUROPEAN MARKET

EUROPEAN consumers appear to be much more savvy and less inhibited than they used to be about crossing borders in search of lower prices.

A recent study in Switzerland estimates that Swiss food retailers could lose about SFr1bn (£400m) in custom this year – or about £60 per Swiss resident – to supermarkets in neighbouring EC countries.

To those unfamiliar with Swiss agricultural policy, it may seem odd that anyone would want to buy food in the European Community, where the notorious Common Agricultural Policy (CAP) keeps market prices for most farm products far above international market levels.

But Switzerland's farm supports are much more generous than even those provided by the CAP, reflecting the higher costs of production in small mountainside farms and a national consensus that preservation of the Alpine way of life is a good thing.

Food prices are on average 50 per cent lower in Germany and France than in Switzerland.

As most Swiss live close to a border with an EC country, the practice of shopping in the neighbouring country has long existed. However, it used to be on a modest scale, partly because people were less mobile and partly because the Swiss border guards were thorough in inspecting incoming motorists to see if, for example, they were breaching the severe limit of 0.5kg of meat per person.

According to a University of Basle study sponsored by Coop Schweiz*, the amount of such shopping has soared in the past couple of years, with the value of foreign purchases up roughly 40 per cent.

Coop, the second largest Swiss food retailer, says that most of it is concentrated in only a few products. It estimates that Swiss consumers this year will spend in neighbouring countries SFr100m on butter and oils, SFr200m on milk and cheese products, SFr250m on wines and spirits and SFr300m on meat.

While the study attributes this spending mainly to the excessive prices of agricultural products in Switzerland, it mentions several new factors.

For example, German and French supermarket companies have become much more aggressive in appealing to Swiss consumers. Their advertisements in Swiss media stress that there is not even any need to change currency. Swiss francs are welcome.

Also, trans-border consumers have found that as their numbers have increased, weary Swiss customs officers have become increasingly nonchalant over inspections. That in turn has encouraged many more to play the game.

Until recently, it was mainly the 1.8m Swiss who live close to the German and French borders who participated, but now even those living in the middle of the country are joining in. According to the study, one in 10 residents of Lucerne goes across the borders at least once a year to buy food.

Obviously, this is having a significant effect on the trade of Swiss retailers. Coop points out that SFr1bn is equivalent to one third of its annual sales. It also means lost sales for Swiss farmers. Sales of Swiss meat and dairy products are flat in spite of a growing population.

The growth of consumer tourism is also working in the other direction.

A surging flow of Italian motorists from adjacent Lombardy seeking cheap petrol has forced the cantonal government in Ticino to close access roads at night. A year ago, following a petrol tax increase in Germany, business in the forecourts of north Switzerland surged.

According to Erdöl-Vereinigung, the Swiss petroleum industry association, about 13 per cent of all petrol sold in Switzerland is bought by visitors from neighbouring countries. That represents a retail value of about SFr700m a year.

The tax take from this is sufficiently large to make the Swiss tax collector worry about how much much he can raise petrol taxes in Switzerland without jeopardising his windfall gain.

German, French and Italian consumers also like to buy cigarettes in Switzerland, as tax there represents only 50 per cent of the retail price.

The Swiss Tobacco Merchants Association says its members in border areas do brisker business than those elsewhere, but it has no clear idea of how significant the cross-border trade is or how fast it is growing.

In the capital markets these days, differences in prices for identical securities on different bourses tend to be eliminated in seconds by arbitrageurs. But governments have hitherto been able to block effective arbitrage in the retail trade of consumer products even when differentials have been very large.

The Swiss experience suggests that this is becoming more difficult. If so, the creation of the single EC market is well timed. Switzerland, of course, is not an EC member and even if it approves the creation of an expanded free trade area, the European Economic Area, next year, nothing much will change because trade in food products is excluded from the pact.

Presumably the Swiss government could reduce the haemorrhage on its food account by stiffening border controls. But as Coop points out, at a time when Bern is promoting liberalisation of markets and increased harmony with the EC, this would be a strange response.

Consumer Tourism and Switzerland's Retail Food Market, Department of Economics, University of Basle.

SWITZERLAND AND EC PRICE DIFFERENTIALS

	Product prices in SFr			% Price difference	
Product	Switzerland	Germany	France	Germany	France
Pork	27.15/kg	15.60/kg	13.35/kg	-42.5	-50.8
Beef	39.35/kg	20.55/kg	21.40/kg	-47.8	-45.6
Milk	1.90/ltr	1.10/ltr	1.40/ltr	-42.1	-26.3
Cheese	25.00/kg	11.20/kg	14.35/kg	-55.2	-42.6
Butter	16.75/kg	6.80/kg	8.00/kg	-59.4	-52.2
Oil	4.50/ltr	1.50/ltr	1.70/ltr	-66.7	-62.2

Source: Department of Economics, University of Basle, for Coop Schweiz

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Privatisation testifies to Amato's resolve

The Italian government has launched itself boldly on the path of reform, reports Haig Simonian

THE Italian government's efforts to kick-start a privatisation programme, promised for years but barely delivered until last Friday's upheavals, have revealed a rich mixture of drama and political manoeuvring.

Now, the four biggest public-sector groups, IRI, ENI, ENEL and INA, are to be transformed into joint stock companies, and their bloated, politicised boards of directors slimmed to just three members.

Only last month, sceptics still doubted whether the government of Mr Giuliano Amato would be willing, or able, to adopt unpopular measures to cut the budget deficit by reducing spending and raising revenue through such unorthodox methods as big privatisations.

Mr Amato's key economics team – Mr Piero Barucci at the Treasury, Mr Franco Reviglio at the Budget Ministry and Mr Giovanni Goria at Finance – smacked too much of political placemen. Though Mr Barucci and Mr Reviglio were presented as apolitical "technicians", both owed their recent careers to Christian Democrat and Socialist links respectively.

But instead of maintaining the status quo, the government has surprised Italians by initiating a string of innovations within its first month of office.

Efim, the heavily loss-making and disastrously managed state holding company, is being liquidated; the *scala mobile* wage indexation system is being laid to rest; pensions are set for reform; and privatisation is now under way.

Observers are right to remain cautious. The speed of change has been partly dictated by a foreign exchange crisis, which saw the lira plummet against the D-Mark last month and obliged Mr Amato to demonstrate firm action on the deficit. Moreover some mistakes have been made: The Efim closure was poorly presented and creditor banks may still have some nasty surprises in store.

Details of the system to replace the *scala mobile* will not be discussed until September, when workers may take to the streets in protest. Changes to the pension system, too tame for many economists, are in danger of being watered down. And some politicians are still fighting a rearguard action to limit privatisation.

That ingrained resistance to change may explain why so many of the government's policies have appeared hurried and been badly presented, or, in the case of the original privatisation plan, overturned.

With widespread opposition to change among the Socialists and especially the Christian Democrats, Mr Amato has had to use surprise. The original concept of two "superholdings" is believed to have been deliberately tossed into the closing minutes of a Friday night cabinet meeting virtually as an afterthought. Scribbled on a couple of scraps of paper just before the meeting, the superholdings were given the go-ahead before many ministers knew quite how much was at stake. Although the format has been scrapped, it is now too late to stop the privatisation ball rolling.

Reviglio, Goria and Barucci (left to right): economics team overseeing innovations

The proposal to close Efim, which has debts of almost twice its annual revenues, was also presented to the cabinet as a surprise. "Do you really think that, after so many false starts, it would have got through this time if it had been presented formally, discussed in the cabinet and passed on to the parties for comment?" asks one senior official.

Even Friday's shareholders' meetings of the big four state companies verged on farce, as the assemblies were convened, postponed until the afternoon, then re-opened and put off once more as the four chairmen were summoned to the Industry Ministry.

Some ministers admit the government is walking a tightrope in taking controversial measures which could provoke a defeat in parliament. However, Mr Amato, whose government is based on a wafer-thin 16-seat majority in the lower house of parliament, has deftly played the card of new elections to strengthen his hand.

Bringing down Mr Amato would probably lead to a new, interim government, headed by an institutional figure such as Mr Giovanni Spadolini, the veteran leader of the Senate, followed by new elections in a few months. Few MPs relish the prospect of new polls. In northern Italy, the populist Leagues are poised to increase their share of the vote at the expense of the Christian Democrats and Socialists, who have been badly tainted by revelations of political corruption in Milan and other cities. The scandal has also closed illegal sources of funds which many politicians have come to rely upon.

"I appreciate the government may not last until Christmas," one minister said last week. "But don't you think we've achieved a lot already? We've done more in four weeks than others in years."

The process has already shed light on corners of the public sector where transparency has been lacking. Transforming IRI, ENI, ENEL and INA into joint stock companies has revealed many anomalies.

IRI's consolidated debt, exposed by its change in legal status, is now so high as to threaten its ability under Italian law to issue further bonds. The problem should be overcome by a revaluation of its portfolio of subsidiaries and possibly by the transfer of some debt to the Treasury, but the blow to IRI's prestige has been severe.

The transformations also require salaries to be set for the chairmen. The big state holding companies are wary of disclosing how much chairmen earn. Publication of the salaries of IRI's Mr Franco Nobili and ENI's Mr Gabriele Cagliari in the Official Gazette reveals only a modest income. However, the official figures reflect only part of the total packages, with the remainder made up of a variety of benefits, including expenses.

Preliminary inquiries by the Treasury before setting the new levels were frostily received by the state-sector groups. It is rumoured that only when the Treasury threatened to take the official figures for adoption in the companies' new statutes were the full packages revealed.

Such vignettes give a taste of the problems facing Mr Amato and his colleagues. Last week's successful changes to the public-sector groups shows that, slowly, some are being resolved.

US team eager to conclude Nafta

By Nancy Dunne in Washington

US, CANADIAN and Mexican negotiators at the weekend were still winding up discussions on the North American Free Trade Agreement (Nafta).

American negotiators are racing to complete the pact before next week's Republican convention. For President George Bush, the ideal time to reach agreement would be a weekday, presenting him with the opportunity of appearing on the evening news to claim a foreign and economic policy victory.

Instead of seeming passive while the US economy stutters, he could emerge at his party's convention as something of a visionary.

Nafta is designed to liberalise trade largely by eliminating tariff barriers over a 15-year period for a range of US, Mexican and Canadian goods and services. However, reports indicate that Mexican officials have become stubborn about sharing government procurement contracts in the state-owned oil sector with Canadian and US companies.

The energy trade negotiations have been limited by protective Mexican laws and Mrs Carla Hills, the US trade representative, has said the pact should offer opportunities for companies servicing the oil industry.

Mexico shows reservations over sharing oil procurement contracts

Despite many unresolved issues, the negotiations have broken new ground on environmental issues. One provision sets up a Nafta arbitration panel for environmental disputes; this panel would take precedence over the General Agreement on Tariffs and Trade dispute settlement mechanism, which has been faulted for ignoring environmental considerations.

The provision was in response to lobbying from many environmental groups which opposed the pact, fearing it would increase environmental problems along the US-Mexican border where some 2,000 *maquiladoras* – foreign-owned Mexican manufacturing and assembly plants – have sprung up since 1965.

Nafta also creates a customs area for both external as well as internal purposes. It is expected not only to boost trade within the continent but to link Mexico's young, cheap labour with US and Canadian innovation and technology.

Inspectors start work in Baghdad

A UNITED Nations inspection team, barred by Iraq from entering government ministries, completed its first day of searches yesterday without triggering a new stand-off with Iraq, Reuter reports from Baghdad.

"It was an inspection day, the first one. That is all it was," Mr Nikita Smidovich, head of the 22-member team, said when the inspectors returned to their Baghdad hotel. "We went where we planned to go." He also said that the team saw what it wanted to see.

He declined to say whether the team tried to inspect any government ministries, designated as "off-limits" to UN arms inspectors by Baghdad.

Mr Smidovich declined to say whether the inspectors found anything unexpected but said Iraqi officials treated US experts no differently from other members. Mr Smidovich, the first Russian to head a UN team in Iraq, said he expected no problems. The arms experts continue their mission today.

The team, which arrived on Friday, was the first to enter Iraq since UN inspectors searched the agriculture ministry on July 28 after a three-week stand-off that drew threats of force from the US.

هكذا من الأصل

Israeli pledge to legalise PLO contact

By Tony Walker in Jerusalem

ISRAEL'S new government has indicated it will legalise contact with the Palestine Liberation Organisation, in a controversial step certain to draw strong criticism from the right.

Mr Yossi Beilin, Israel's deputy foreign minister, yesterday described the law forbidding contact with the PLO as "stupid", and said the government had a "deep obligation" to change it.

"Everyone thinks this law is idiotic, that you cannot meet someone connected to the Palestine National Council (Palestinian parliament in exile) even if he is a professor in a Washington university," Mr Beilin said.

He was amplifying remarks made earlier by Mr Shimon Peres, the foreign minister, who had told an Italian newspaper that the government planned to amend the 1986 law.

Successive Israeli governments have described the PLO as a terrorist gang and have rejected any dealings with it.

Mr Peres insisted he had no intention of meeting Mr Arafat, saying that such an event would be a media circus without consequence.

The PLO has urged Israel to go beyond its plans simply to legalise contacts, by allowing Palestinians from outside the occupied territories to join Middle East peace talks, which resume in Washington later this month.

Mr Suleiman Najjab, a member of the PLO executive committee, said: "What is needed now from the Israeli government is a clear and public declaration that it recognises the PLO as the sole legitimate representative of the Palestinian people."

Under the terms of last October's Madrid conference the PLO was excluded from formal participation in direct talks aimed at ending the Arab-Israel dispute. But the new Israeli government has indicated flexibility about allowing Palestinians from the diaspora to take part in multilateral discussions on such issues as regional disarmament, economic assistance, water and the environment.

The 1986 law had embarrassed the previous government of Mr Yitzhak Shamir. Israel had, under Mr Shamir, proved reluctant to implement the law in spite of its being flouted by Palestinian peace delegates from the occupied territories.

Settlers and army back off from clash

By Tony Walker

A CLASH yesterday between militant Jewish settlers and Israeli soldiers over construction of a house ended in a brittle compromise after the army agreed not to demolish the structure for two weeks, while a building permit is sought.

It was the first serious incident involving settlers and the military since Israel's new government imposed a settlement curb last month, and came on the eve of a crucial meeting in the US between Mr Yitzhak Rabin, the Israeli prime minister, and President George Bush.

Some 200 activists had confronted soldiers seeking to stop the building of a new house in the militant settler stronghold of Kiryat Arba near the Arab West Bank town of Hebron.

Mr Eliakim Haetzni, a fiercely nationalist settlers' leader and former member of parliament, said defiantly: "We'll build in 500 sites. We are the locals here, not the Arabs... There aren't so many units in the army to run after all of us."

Yesterday's clash at Kiryat Arba and reports that Jewish settler activists plan to move into a number of houses in the Moslem quarter of the Old City underline domestic pressures on Mr Rabin in his efforts to satisfy international demands for a halt to settlements.

The US has welcomed the steps taken by the new Israeli government to curb settlements in territories captured in the 1967 war. US officials had charged repeatedly that such settlements were "an obstacle" to peace.

The Kiryat Arba confrontation may mark the beginning of a right-wing backlash against efforts of the Rabin government to stop the continued spread of settlements in the occupied West Bank and Gaza Strip.

Since its heavy defeat in the June election, the Israeli right has been uncharacteristically subdued, but in the past few days it appears to have regained its voice and is clearly intent on sounding a discordant note to accompany Mr Rabin's visit to the US.

ABOUT 20,000 demonstrators gathered in the centre of São Paulo at the weekend to call for the impeachment of Brazilian President Fernando Collor de Mello, Reuter reports from São Paulo.

They carried banners reading "Impeachment Now" and "Collor Out", in what was the first large demonstration against Mr Collor since a government scandal erupted in May.

The president is fending off corruption charges after some of his top aides were accused of running an influence peddling ring, from which Mr Collor allegedly profited.

The demonstration was led by Mr Luis Ignacio "Lula" da Silva, head of the radical Workers' party (PT), one of the main opposition groups, Senator Eduardo Suplicy, also of the PT, members of other opposition parties and union heads.

China's budding capitalists trigger chaos

By Simon Holberton in Hong Kong

THERE was chaos in the streets of Shenzhen, southern China's most affluent city, over the weekend as hundreds of thousands of investors flocked there to apply for the right to buy shares.

Chinese citizens – who have been told by the country's senior leaders, that it is "a glorious thing to be rich" – travelled to the city, which borders Hong Kong, from as far away as Beijing and Sichuan in the hope of taking part in a lottery for warrants.

Success will give them the right to participate in 14 company flotations later this year.

Company shares are one of the few assets the Chinese are allowed to own, aside from household items such as televisions and refrigerators. To date there has been only a limited experimentation with home ownership.

With an estimated Yn1,000bn ($181.8bn) of household savings – but with negative rates of interest – it is not surprising the Chinese turn to shares as a hedge against inflation.

The market capitalisation of the Shenzhen Stock Exchange has increased elevenfold this year; turnover in the first six months of the year rose sixfold against the same period of 1991.

The authorities yesterday began issuing 5m application forms, each costing Yn100 (£9.40). But only 500,000 applications – to be determined by a lottery – will be issued with warrants to participate in the 14 flotations forecast to raise Yn500m.

On Saturday night city officials called in armed police to maintain order. One person was killed in the crush and another was reported to have died. The police used cattle prods and batons to keep order.

● A state-level foreign exchange dealing centre began operating in Beijing at the weekend, in a move to reform China's cumbersome foreign exchange trading system, Reuter reports from Beijing.

The National Foreign Exchange Swap Market is part of government plans to unify exchange rates quoted on similar regional markets, official media said. The new centre will pave the way for trading in currency futures and a variety of foreign currencies.

Bombay scandal claims another senior figure

By Alexander Nicoll and Shiraz Sidhva in New Delhi

INDIA'S Rs35bn ($1.2bn) financial scandal deepened at the weekend with the arrest of Mr V. Krishnamurthy, a former leading public-sector industrialist and member of the government's Planning Commission.

Mr Krishnamurthy was charged with offences under the Prevention of Corruption Act following raids on his home and offices.

The Central Bureau of Investigation alleged he had received a cheque for Rs3.2m from Mr Harshad Mehta, the former stockbroker who is also under arrest. They said the cheque was paid to K.J. Investments, a company controlled by Mr Krishnamurthy's two sons, one of whom was also charged on Saturday.

Separately, the bureau alleged Mr Krishnamurthy senior had stood personal guarantee for a loan to K.J. Investments from the Delhi branch of Sanwa Bank of Japan, while he was a member of the Planning Commission and chairman of the committee overseeing disinvestment from public-sector industry.

Mr Krishnamurthy, a former head of public-sector concerns in the electrical, steel and motor industries, resigned from the commission last month when it was revealed he was associated with Mr Mehta and had introduced him to key politicians and bureaucrats, including Mr K.P. Geethakrishnan, the top civil servant at the Finance Ministry.

In an interview with the Economic Times newspaper given before his arrest and published yesterday, Mr Krishnamurthy said his business involvement was well known when he was appointed to the commission, and that he should not be held responsible for the actions of his sons.

The arrest of such a senior establishment figure with important political connections has raised expectations that the scandal's net will widen further when a joint parliamentary committee begins its investigations this week.

A report by Mr R. Janakiraman, head of a central bank committee investigating banks' securities activities, is expected shortly and a special audit of four foreign banks – Standard Chartered, ANZ Grindlays, Citibank and Bank of America – is under way.

However, the head of the Central Bureau of Investigation's inquiries into the scandal, Mr K. Madhavan, has had his request for early retirement accepted following suggestions of government interference in the probe.

Meanwhile, the authorities are continuing to tighten regulation of banks' activities following the scandal.

The Reserve Bank has issued guidelines on discounting of bills, one of the means used to divert funds from banks to brokers in the scandal. It has barred banks from re-discounting bills already discounted by non-banking financial companies.

A Reserve Bank committee recommended on Saturday restrictions on the money market activities of public-sector banks and rules for trading bonds.

Morocco still cautious despite economic progress

Francis Ghilès on the stiff challenges facing a government widely praised for springing back from a debt crisis

NINE years ago Morocco shared the fate of many Latin American countries. Like them it had borrowed heavily to finance large current account and public sector deficits, both of which, by 1982-83, exceeded 13 per cent of gross domestic product.

The inevitable happened when, in August 1983, with virtually no international reserves left, Morocco was forced to reschedule its $13bn foreign debt.

Today Moroccan leaders can claim solid progress on a number of fronts – the public sector's finances are broadly balanced, trade has been liberalised, growth has averaged 4.6 per cent a year since 1985, and foreign investment is increasing.

A recent study by the merchant bank Morgan Grenfell concludes that, unlike any Latin American country, Morocco "managed to push ahead with structural reform, while maintaining single digit annual inflation throughout and registering growth broadly in line with the country's output capacity."

It has avoided the severe financial dislocation that in Latin American countries kept the risk premiums on interest rates and currency high, long after the original financial problem had been resolved.

External factors, most notably the more favourable terms of trade the country enjoyed after 1985, have helped. So has the strong support afforded by western creditors as Morocco rescheduled its Paris Club debt six times and its London Club debt three times.

Despite its achievements, commended during a visit to the kingdom last month by Mr Lewis Preston, the World Bank president who promised that the Bank would extend $500m worth of loans annually for the next few years, Morocco faces some stiff challenges. Unemployment affects an estimated 20 per cent of the population and the imbalance in wealth remains a serious problem.

The labour force is growing at about 3 per cent a year and a steady rate of growth is thus vital to avoid repetition of the rioting which occurred in 1981, 1984 and 1990. Compared with countries with similar per capita income, Morocco scores lower where child mortality, child labour and illiteracy are concerned. With 55 per cent of men unable to read or write, it is not surprising that labour qualification levels remain low and constitute a big handicap for the expanding export sector.

Meanwhile, cuts in government spending mean than the quality and availability of free education and health, which are already low, have declined in recent years. Morocco still has a woefully inadequate telephone network.

The macro-economic results of the past decade speak for themselves. Inflation has averaged 5.8 per cent, thanks in particular to a conservative monetary policy. Since December 1990 the central bank has relied on bank reserve ratios and domestic interest rates rather than direct credit ceilings for Moroccan banks. Savings have responded favourably.

A current account deficit of almost 8 per cent of GDP in 1984 was turned into small surpluses in 1987 and 1989 but slipped back into a 2.5 per cent deficit in 1991. The share of the budget deficit in the GDP fell from more than 11 per cent to 3.1 per cent in 1991. The cuts, although initially needed, were so drastic that basic social and, to a lesser degree, material infrastructure were hit.

The risks of such a situation are acknowledged by senior Moroccan ministers such as Mr Mohamed Berrada, who has held the finance portfolio since 1986. Hence much of the proceeds of the second structural adjustment loan, worth $275m, agreed by the World Bank in April, is to be channelled towards health care and education for the poor.

Apart from its role in modernising Moroccan industry, trade liberalisation has helped contain inflation. More than 90 per cent of imports are now free from licensing and the balance should be freed by the end of the year. The maximum level of import tariff was reduced from 400 per cent in 1983 to 35 per cent this year and average import tariffs are projected to reach 12 per cent by the end of 1992.

Foreign investment, which increased by 80 per cent last year has also been encouraged by the abolition, 2½ years ago, of the 1973 Moroccanisation Law and the rather more equal tax and legal footing foreign companies now enjoy with their Moroccan peers.

Equally important is the emergence of a stronger, younger and more outward looking class of entrepreneurs.

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GNP/GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

UNITED STATES

CURRENT PRICES	Gross National Product	Private Cons.	Private Invest.	Govt. Spend.	Net Exports
		as a % of GNP			
1985	5,317.6	65.8	17.6	19.0	−2.8
1986	4,349.2	66.6	16.6	19.5	−3.1
1987	3,937.8	67.2	16.5	19.4	−3.1
1988	4,147.8	67.2	16.2	18.7	−2.2
1989	4,763.7	67.1	15.9	18.6	−1.5
1990	4,334.6	67.9	14.5	18.9	−1.2
1991	4,588.6	68.4	12.7	19.2	−0.4
2nd qtr.1991	4,779.1	68.4	12.5	19.3	−0.3
3rd qtr.1991	4,875.6	68.4	12.8	19.1	−0.5
4th qtr.1991	4,583.1	68.6	12.8	19.0	−0.3
1st qtr.1992	4,623.6	68.9	12.4	18.9	−0.1
CONSTANT PRICES	% growth in				
	GNP	Cons.	Invest.	Govt.	Exports
1985	2.9	4.4	−1.5	6.1	1.2
1986	2.8	3.6	−1.5	5.2	6.6
1987	3.0	2.8	1.9	3.0	10.5
1988	4.0	3.6	3.2	0.6	15.8
1989	2.4	1.9	1.4	2.0	11.9
1990	1.1	1.2	−5.7	2.8	8.1
1991	-0.7	−0.6	−10.6	1.2	5.8
2nd qtr.1991	−1.1	−0.6	−15.7	1.7	5.4
3rd qtr.1991	−0.8	−0.7	−9.6	1.7	7.0
4th qtr.1991	0.0	0.0	−0.5	−0.6	7.4
1st qtr.1992	1.4	2.0	3.5	−0.9	9.6

JAPAN

CURRENT PRICES	Gross National Product	Private Cons.	Total Invest.	Govt. Cons.	Net Exports
		as a % of GNP			
1985	1,780.2	58.7	28.0	9.5	3.7
1986	2,033.3	58.4	27.7	9.6	4.3
1987	2,102.2	58.4	28.4	9.4	3.8
1988	2,466.0	57.5	30.4	9.1	2.9
1989	2,625.2	57.3	31.5	9.1	2.1
1990	2,328.4	57.0	32.6	9.0	1.4
1991	2,738.1	56.4	32.0	9.1	2.5
2nd qtr.1991	2,777.5	56.3	32.2	9.1	2.4
3rd qtr.1991	2,850.5	56.8	32.1	8.7	2.4
4th qtr.1991	2,848.4	56.3	31.2	9.5	2.9
1st qtr.1992	2,880.9	56.6	31.1	9.2	3.1
CONSTANT PRICES	% growth in				
	GNP	Cons.	Invest.	Govt.	Exports
1985	5.1	3.3	6.5	1.7	6.5
1986	2.7	3.4	4.3	4.5	−5.3
1987	4.3	4.2	8.2	0.4	4.6
1988	6.3	5.2	14.2	2.2	10.7
1989	4.8	4.3	9.6	2.0	15.0
1990	5.3	4.3	8.6	1.9	10.6
1991	4.4	2.6	3.5	3.4	5.1
2nd qtr.1991	4.5	2.1	3.5	4.0	1.9
3rd qtr.1991	4.3	2.8	2.6	3.5	7.2
4th qtr.1991	3.2	3.0	−0.3	2.3	6.1
1st qtr.1992	2.2	3.3	1.4	1.9	3.5

GERMANY

CURRENT PRICES	Gross National Product	Private Cons.	Total Invest.	Govt. Cons.	Net Exports
		as a % of GNP			
1985	825.5	56.4	19.5	19.9	4.1
1986	911.2	55.0	19.5	19.7	5.8
1987	967.5	55.3	19.2	19.8	5.6
1988	1,015.6	54.7	20.0	19.6	5.7
1989	1,085.3	54.0	20.9	18.7	6.5
1990	1,182.8	53.5	21.4	18.2	6.8
1991	1,279.3	52.6	22.2	17.9	7.2
2nd qtr.1991	1,274.5	52.6	22.8	18.2	6.4
3rd qtr.1991	1,293.7	52.3	22.3	17.9	7.5
4th qtr.1991	1,299.2	52.6	22.1	18.0	7.3
1st qtr.1992	1,332.3	52.2	23.1	17.9	6.7
CONSTANT PRICES	% growth in				
	GNP	Cons.	Invest.	Govt.	Exports
1985	2.1	1.5	−0.9	2.1	7.6
1986	2.2	3.4	3.9	2.5	−0.1
1987	1.4	3.3	1.2	1.5	0.5
1988	3.5	2.4	7.8	2.2	5.6
1989	3.9	2.1	8.5	−1.7	11.8
1990	4.7	4.6	7.3	2.1	11.5
1991	3.2	2.5	6.3	0.8	12.1
2nd qtr.1991	4.5	4.1	7.0	−0.4	16.3
3rd qtr.1991	2.0	0.5	9.0	0.2	11.0
4th qtr.1991	0.9	1.0	1.5	3.4	5.0
1st qtr.1992	0.8	0.0	7.8	2.7	2.8

FRANCE

CURRENT PRICES	Gross Domestic Product	Private Cons.	Total Invest.	Govt. Cons.	Net Exports
		as a % of GDP			
1985	691.8	60.8	18.9	19.6	0.7
1986	746.1	60.2	19.6	19.2	1.0
1987	770.5	60.6	20.2	19.1	0.1
1988	815.2	59.8	21.4	18.7	0.1
1989	877.7	59.5	22.1	18.3	0.1
1990	938.1	59.8	22.1	18.2	0.0
1991	969.1	60.2	20.9	18.6	0.4
2nd qtr.1991	962.6	60.2	20.8	18.5	0.5
3rd qtr.1991	979.5	60.1	21.1	18.5	0.3
4th qtr.1991	987.7	60.4	20.0	18.7	0.9
1st qtr.1992	1,007.3	60.0	20.2	18.6	1.2
CONSTANT PRICES	% growth in				
	GDP	Cons.	Invest.	Govt.	Exports
1985	1.9	2.4	2.8	2.3	1.9
1986	2.5	3.9	8.8	1.7	−1.4
1987	2.3	2.9	5.1	2.8	3.1
1988	4.5	3.3	9.8	3.4	8.1
1989	4.1	3.3	7.8	0.3	10.2
1990	2.2	2.9	2.2	1.9	5.5
1991	1.2	1.5	−2.2	2.9	4.2
2nd qtr.1991	1.0	1.1	−3.5	3.4	5.1
3rd qtr.1991	1.6	1.6	−2.4	3.3	6.9
4th qtr.1991	1.8	2.1	−3.8	2.7	5.6
1st qtr.1992	2.7	2.2	−2.8	2.5	9.2

ITALY

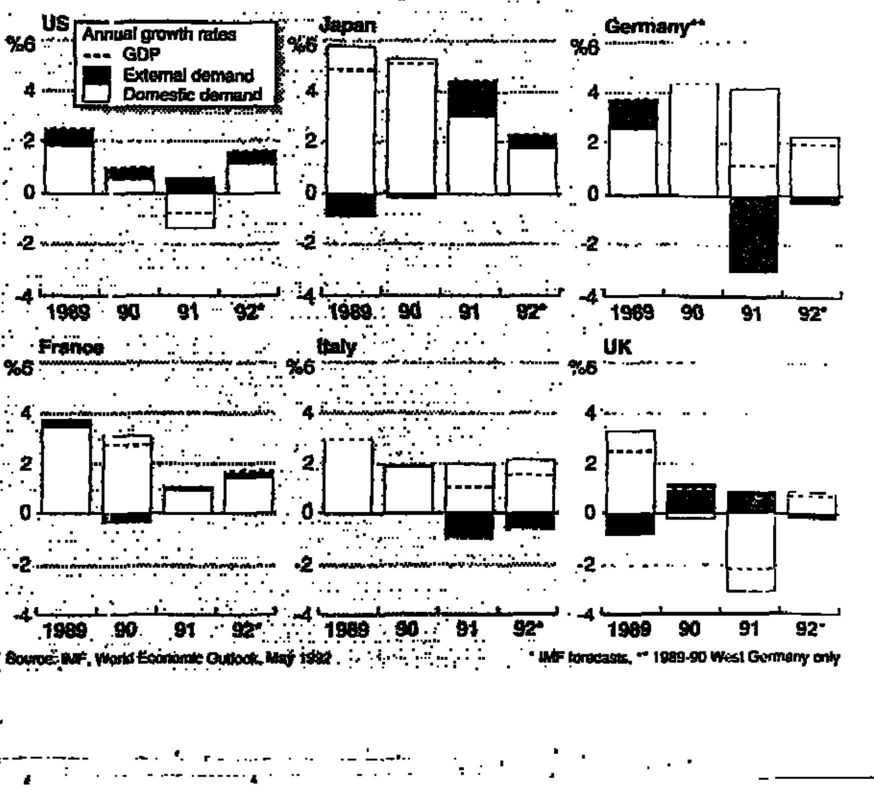
CURRENT PRICES	Gross Domestic Product	Private Cons.	Total Invest.	Govt. Cons.	Net Exports
		as a % of GDP			
1985	561.8	62.6	22.1	16.7	−1.9
1986	615.7	62.2	21.0	16.5	0.4
1987	658.4	62.4	21.3	16.9	−0.3
1988	710.5	61.9	21.5	17.1	−0.5
1989	790.8	61.4	21.4	16.9	−0.6
1990	861.1	62.0	20.3	17.7	−0.4
1991	932.1	62.5	20.3	17.7	−0.5
2nd qtr.1991	927.5	62.5	20.5	17.8	−0.6
3rd qtr.1991	948.6	62.4	20.4	17.5	−0.9
4th qtr.1991	958.7	62.7	20.5	17.6	−0.8
1st qtr.1992					
CONSTANT PRICES	% growth in				
	GDP	Cons.	Invest.	Govt.	Exports
1985	2.6	3.0	1.8	3.4	3.2
1986	2.9	3.7	1.4	2.6	2.5
1987	3.1	4.2	4.6	3.4	4.4
1988	4.1	4.2	6.3	2.8	5.7
1989	2.9	3.5	2.3	0.8	8.8
1990	2.2	2.8	2.0	1.3	7.8
1991	1.4	2.8	1.4	1.7	−0.8
2nd qtr.1991	1.7	3.0	4.1	1.9	−3.2
3rd qtr.1991	1.1	2.5	3.5	1.7	−3.9
4th qtr.1991	1.8	2.5	5.7	1.5	−1.4
1st qtr.1992	2.0	2.9	5.9	1.4	3.7

UNITED KINGDOM

CURRENT PRICES	Gross Domestic Product	Private Cons.	Total Invest.	Govt. Cons.	Net Exports
		as a % of GDP			
1985	604.3	61.1	17.2	20.7	0.9
1986	571.1	63.0	17.0	20.7	−0.7
1987	597.2	62.9	17.9	20.3	−1.1
1988	703.3	64.0	20.1	19.6	−3.6
1989	760.3	64.0	20.5	19.4	−3.9
1990	768.7	63.4	19.1	20.0	−2.5
1991	821.7	64.0	15.7	21.1	−0.8
2nd qtr.1991	826.0	63.6	15.7	21.2	−0.5
3rd qtr.1991	836.7	63.9	15.4	21.3	−0.5
4th qtr.1991	828.7	64.4	15.3	21.3	−0.9
1st qtr.1992	825.2	64.4	15.5	21.5	−1.4
CONSTANT PRICES	% growth in				
	GDP	Cons.	Invest.	Govt.	Exports
1985	3.7	3.5	3.5	0.0	5.9
1986	4.0	6.2	2.2	1.8	4.7
1987	4.6	5.2	10.2	1.2	5.6
1988	4.2	7.4	17.1	0.6	0.0
1989	2.3	3.5	4.8	0.9	4.2
1990	1.0	0.8	−5.9	3.1	5.0
1991	−2.1	−1.8	−13.6	2.8	0.5
2nd qtr.1991	−3.3	−2.7	−17.1	1.4	−0.4
3rd qtr.1991	−2.0	−2.1	−13.5	2.5	3.2
4th qtr.1991	−1.1	−1.4	−7.7	3.6	1.9
1st qtr.1992	−1.4	−1.8	1.8	0.6	3.6

Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. GNP/GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GNP/GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream and WEFA from national government sources.

Contributions to growth from domestic and external demand



Source: IMF, World Economic Outlook, May 1992. * IMF forecasts. ** 1989-90 West Germany only

Unequal burdens and benefits of German unification

GERMAN unification could hardly have come at a worse time for the UK economy. The Bundesbank's subsequent struggle to contain German inflation has depressed economic growth across Europe and prolonged recession in debt-burdened Britain. But few complaints about the economic effects of unification are heard from either the US or Japan, where it has delivered net economic gains rather than pain.

Unification has had two contrasting economic effects outside Germany. Within Europe it has meant persistently high real interest rates as Bonn's tight monetary policy has been transmitted by the exchange rate mechanism. But the effects of higher east German spending have also spilled outside German borders. Germany's current account surplus has swung into deficit as imports have grown and west German exporters have redirected their sales eastward.

Germany has bucked the trend among the six largest industrialised countries over the past three years. In every other country, domestic activity has grown progressively more slowly, as the chart shows. But unification has fuelled the growth of German domestic demand: the sum of the growth rates of consumption, investment and government spending in west Germany increased from 2.6 per cent in 1989 to 4.5 per cent in 1990. Domestic demand in the unified Germany grew by 4.1 per cent in 1991.

The German statistics in this week's national accounts table cover west Germany only. They show exports growing by 12.1 per cent in 1991. But the bulk of these exports were moving from west to east Germany. The IMF figures, on which the chart is based, cover the unified Germany in 1991 and 1992. They show that the fall in net external demand for German goods – the combination of falling pan-German exports and rising imports - reduced Germany's overall growth rate by 2.7 percentage points in 1991.

The US and Japan have escaped the direct effect of Germany's monetary contraction. Both have been able to cut interest rates in the face of relatively sharp falls in domestic consumption and investment compared to most European countries, the result of tight domestic monetary policies in the late 1980s. Yet both have benefited from the growth in export opportunities. The value of US exports to Germany has grown by 32 per cent between the first quarter of 1990 and 1992. The value of Japanese exports grew by 42 per cent over the same period.

US exports have grown faster than imports in each of the last three years, raising the rate of growth of gross domestic product in 1989 and 1990 and partially offsetting last year's contraction in domestic demand. US total export volumes grew by 5.8 per cent last year, propelled by the boost to US export competitiveness from the slide in the value of the dollar. In Japan, despite US moans, the external sector of the economy actually depressed the overall GDP growth rate in 1989 and 1990. Only in 1991 did the external sector add to, rather than subtract from, GDP growth.

Within Europe the negative effect of high interest rates has more than outweighed the positive effect of higher German demand for European goods. Economic growth in Europe, excluding Germany, was only ⅓ per cent last year. But French growth would have been slower had it not been for the 4.2 per cent growth in its export volumes. The fall in UK domestic demand was also cushioned by the external sector, but mainly because imports were falling as the sluggish 0.5 per cent growth in export volumes confirms.

The economic impact of unification is becoming increasingly one-sided. The boost to European demand is diminishing swiftly as German spending slows, but interest rates remain high. The Organisation for Economic Co-operation and Development expects European economic growth, excluding Germany, to rise to 1½ per cent this year, driven by a pick-up in domestic demand. But both this and the IMF forecasts in the chart are based on the increasingly unlikely assumption that European interest rates will fall this year.

Edward Balls

Where's the beef?

Foreign corporations expanding in Europe face truly difficult decisions.

If you want a choice slice of Europe, where will you start looking?

For one, are marketing activities your goal or do you plan to set up manufacturing operations? Then there is the question of acquisition versus building up your own organization from scratch.

And finally, you will be faced with the most difficult yet perhaps most important problem:

Where is the best place in Europe for you to locate?

The EC's Single Market is about to become reality, to be followed later by a single currency and a European central bank. Recently a treaty was signed with the EFTA countries establishing the European Economic Area (EEA) that will unite all of Western Europe – a unified market with 377 million consumers, accounting for 30 % of global GNP and a full 43 % of the world's international trade. Moreover the new democracies of Central and Eastern Europe are busily establishing free market economies and attracting private investment.

Europe is in a state of flux. It is clearly the right time to establish a market foothold – to stake out your claim to a choice slice of the market.

Many attractive official promotional programs have been set up to encourage foreign investment. There are also a number of local companies that might be attractive partners or potential acquisition targets. The problem is to objectively assess all the opportunities in order to determine the best fit for your company.

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Dresdner Bank

UK threatened by continuing wage inflation

By Edward Balls and Catherine Milton

PAY settlements in industry have remained stuck above 4 per cent for three consecutive quarters suggesting that wage inflation remains a threat to UK competitiveness.

Manufacturing wage settlements averaged 4.3 per cent in the second quarter of 1992 according to the latest Confederation of British Industry (CBI) pay databank, unchanged from the final quarter of last year.

The news comes a week after calls for a freeze on public sector wages from Conservative MPs and Mr Howard Davies, the CBI's new director general.

The CBI, the UK employers' organisation, said the settlements data were evidence that pay behaviour has settled into the non-inflationary patterns set by Britain's European competitors.

Separate CBI figures showed that settlements paid by service sector companies have also fallen to 4.3 per cent in the first half of this year, from 7.1 per cent a year ago.

"If that pattern can be maintained into the upturn, the wage-price spiral will be broken to the permanent benefit of UK competitiveness and jobs" said Mr Ronnie Gilbert, director of Employment Affairs at the CBI.

But economists expressed surprise that the fall in wage settlements has ground to a halt. "The behaviour of wage settlements has been mystifying," said Mr John Shepperd, economist at SG Warburg Securities. "These figures suggest that the adjustment within the European exchange rate mechanism has a long way to go."

Pay settlements must fall to 3 per cent if UK exporters are to hold their own in Europe said Dr John Philpott, director of the Employment Policy Institute, the employment think tank.

"We need to see considerably more progress if we are to be optimistic about maintaining Britain's competitiveness when the recovery comes," he said.

"The question is how much more pain we have to endure to get settlements down to a competitive level, let alone to a level consistent with Mr Major's target of zero inflation."

Further evidence that the government faces mounting pressure to restrict public sector pay emerged yesterday as the 6.5 per cent pay increase recommended for top policemen was attacked.

THE north-west of England and north Wales are experiencing tentative improvements in economic activity but the depressed south-east is holding back recovery. Those are the findings of regional surveys by chambers of commerce in Manchester and Liverpool, and the latest Lloyds Bank Economic Bulletin. Prospects in the service sector in the north of England have been improving for five successive quarters. Manchester chamber for the first time in two years reported more service companies taking on labour than shedding it.

Fewer small companies rely on loans

By Diane Summers

THE NUMBER of small UK businesses with bank loans has dropped sharply over the past year as the cost of borrowing continues to be seen as a serious problem, according to a survey of Institute of Directors (IOD) members in England.

Just 52 per cent of small businesses now borrow from banks – 17 per cent of those surveyed paid off their overdrafts during the past 12 months. The pattern of reduced borrowing mirrored the repayment of debt in the household sector, said the IOD.

Small businesses in southern England were more likely to have paid off their bank overdrafts than those in the north, according to the survey: 7 per cent of businesses in the north cleared their bank debts, compared with 20 per cent in the south.

The use of overdrafts was also linked to the size of the company and the sector in which it operated, found the IOD research. Medium turnover companies, particularly in agriculture, property and construction, were the most likely to have continued borrowing from banks.

Although 50 per cent of small companies consider the cost of overdraft finance to be a serious business problem, relatively few were being charged excessive margins of interest over base rate, the survey shows. The IOD decided to carry out the research after complaints from members that banks were charging high margins and failing to pass on base rate cuts. A random sample of IOD members whose companies employ fewer than 100 workers was interviewed.

Just over half of those surveyed were being charged 1-2 per cent above base rates at the time of the survey in late July, 39 per cent paid 3-4 per cent. Overall, 90 per cent paid 4 per cent or less above base rate on their business overdraft.

Again, there were substantial regional variations: 79 per cent of businesses in the north paid 1-2 per cent above base rate while in the south only 44 per cent enjoyed such low margins, said the IOD. Part of the reason for this north-south divide is likely to be the concentration of higher turnover manufacturing businesses in the north, and smaller turnover service companies in the south.

One quarter of those surveyed reported that they had not had base rate reductions passed on to them in the form of lower interest rates, with a slight bias towards those in the north having reductions, the research found.

Dancing for joy: Pakistani bowler Wasim Akram (far right) celebrates with team-mate Asif Mujtaba after England batsman Derek Pringle was dismissed as the national cricket side crashed to defeat in the fifth and final test match at the Oval ground in south London. Pakistan, which won by 10 wickets after England were 175 all out in their second innings, ended the series 2-1 victors.

Britain in brief

Further fall expected in house prices

UK house prices will continue to fall at least until the middle of next year and delay economic recovery, according to a report by Morgan Grenfell, the UK merchant bank.

Falls in house prices will continue to be concentrated in the southern regions. The report expects UK house prices to fall by 2.5 per cent in 1993, but by 4.5 per cent in the South east. Scotland and the North may see a rise in nominal prices next year.

Housing turnover will remain low until prices stabilise, depressing spending on consumer durables, the report argues. Housing turnover has fallen to 80,000 a month this year, down from a peak of 200,000 a month in August 1987. The number of first-time buyers entering the market this year has fallen by a third since then to 300,000.

"The weak housing market is a major drag on the economy and it will hamper economic recovery," said James Barty, economist at Morgan Grenfell.

Labour told to back EC union

Mr Roy Hattersley, former deputy leader of the Labour party, warned that anti-European members of the opposition could risk losing the next election to the Tories if they continued to oppose the Maastricht Treaty.

Interviewed by the Sunday Times, Mr Hattersley urged MPs not to fight moves towards greater political and monetary union in the EC.

"If Labour made another of its policy lurches and turned its back (even temporarily) on European union, the consequences would be cataclysmic," he warned.

Unemployment attack likely

The government's employment record is expected to come under attack this week with the publication of new figures showing another jump in the number of people out of work.

The July unemployment total, published on Thursday, is likely to reveal the 27th consecutive monthly jobless rise.

Last month's increase is expected to be higher than June's lower than predicted 7,000 rise, which was the smallest monthly increase for more than two years.

Unemployment in the UK now stands at 2,722,700. The Unemployment Unit pressure group said it expects unemployment to peak at 3.25m

Ferranti wins overseas order

Ferranti International has won its first overseas contract for a new electronic defence system.

The Royal Netherlands Navy is to buy the AWARE system for its Lynx helicopters and combat support ships in a £3 million deal. The system detects potentially hostile radar emissions and warns of approaching radar guided missiles. The system was originally developed for British Army helicopters.

Recession hits tourist sites

Top tourist attractions such as the Tower of London, Windsor Castle and Shakespeare's birthplace – Stratford-upon-Avon – are all feeling the effects of recession. The Tower received 16 per cent fewer visitors last year, Windsor Castle 27 per cent fewer and Stratford 14 per cent fewer, the Board reported.

Voluntary care under-used

Local authorities are failing to exploit the resource of committed volunteers in developing their community care programmes, according to Community Volunteers Volunteers, the charity which organises voluntary effort.

A CSV survey of half of all local authorities in England and Wales shows that despite rising demand for community carers, only 14 per cent of councils have a clear strategy for recruiting and deploying volunteers. Barely two-thirds even mention volunteers in their plans.

Value fears on council tax

Tory MPs and local councils are concerned that the valuations of properties for council tax – the new charge to pay for local services and amenities – may provoke resentment and a mass of appeals next year because they are based on two-year old valuations, without any allowance for the fall since then.

The concern is greatest in London, where the decline in values has been steepest. Sir Rhodes Boyson, the Tory MP for Brent North and former local government minister, warned that householders in London and the south east would feel "betrayed" if their first council tax bill in April comes to significantly more than their current poll tax.

Five die in UK storms

Five people have died in the storms which swept much of England at the weekend. Thousands of homes in eastern England as lightning caused power cuts. The storms also delayed flights at Gatwick airport.

NHS managers seek divine inspiration for pay talks

By Michael Smith, Labour Correspondent

MANAGERS in the state-run National Health Service (NHS) are praying for some divine inspiration after hospital chaplains agreed to talks on relating their pay more closely to performance.

Performance pay is spreading rapidly throughout the public sector as part of the government's Citizens' Charter. However, chaplains and many of their clergymen colleagues employed by the Church of England believe extending the principle to them would present managers with an unholy headache.

"We do not see it getting very far," said Mr Alastair Henderson, assistant national officer for the Nalgo public services union which represents many of the 220 health service chaplains.

"How can you assess the quality of the work of people whose job is to deal with the sick and dying? Any performance targets you set would be completely meaningless.

"In crude Christian terms a measure of success could be whether a patient has eternal life. I do not think that health service managers have quite grasped how to judge that."

Many chaplains are equally puzzled. The Reverend Gillian King, a chaplain at Kingston and Esher health authority said: "How effective a chaplain is, is a matter between the chaplain, the patient and God."

In the Church of England, there are plans to introduce performance appraisal but there are no plans to relate this to pay.

Canon Hugh Marshall, chief secretary of the Church of England advisory board of ministry, which advises on pay and conditions, said: "How do you evaluate a priests' ministry? It would not be easy this side of the pearly gates."

The Nalgo union agreed to the performance pay talks as part of this year's pay agreement. The deal provided for increases of 4.75 per cent, taking salaries to between £17,345 and £20,291 and accommodation allowances to £2,880. Chaplain assistants earn between £12,187 and £14,258. The clause on performance pay was the same used in various agreements which have been made for other NHS workers this year.

Mr Henderson believes there may be scope for linking settlements to those of other health service workers.

Government considers plan for Royal Mail competition

By Roland Rudd

PRIVATE postal operators may be given licences to compete with the state-run Royal Mail in different regions of the UK, under proposals being considered by the government for the future of the Post Office.

While ministers are not expected to make a decision until the end of the year it is the most radical proposal currently under consideration.

The regional plan has been proposed by Business Post, an express delivery company, which would like to offer comprehensive mail services in part of the UK. The Royal Mail, the Post Office's letters division, currently has a monopoly on all mail delivery costing less than £1.

Because of the size of the Post Office – it made pre-tax profits of £247m for the year to March 29 – Business Post says private operators should be given the opportunity to compete in different parts of the UK. Under the plan, different private operators would bid for the franchise to compete exclusively with the Post Office. No private postal operators would compete directly against each other.

Mr Michael Kane, managing director of Business Post, said: "No private postal operator can compete effectively with the Post Office throughout the UK. But there would be plenty of companies which could compete with the Post Office in certain regional areas."

He has already had talks with officials from the Department of Trade and Industry and is planning further meetings. The DTI says it is considering all proposals.

Business Post's plan also envisages the creation of an "Ofpost", an independent regulator that would introduce competition progressively.

● The Royal Mail is concerned that draft legislation approved by the European Commission earlier this year will strip its Postal Address File (PAF) – the official list of UK postcodes – of its copyright protection.

The draft directive in question is intended to provide protection for producers of databases by introducing a new type of intellectual property right. This would outlaw unfair copying of the contents of databases such as computerised address-lists for a period of 10 years.

But lists such as PAF, which have been in existence for more than ten years, would not benefit from this protection.

Analysis, Page 13

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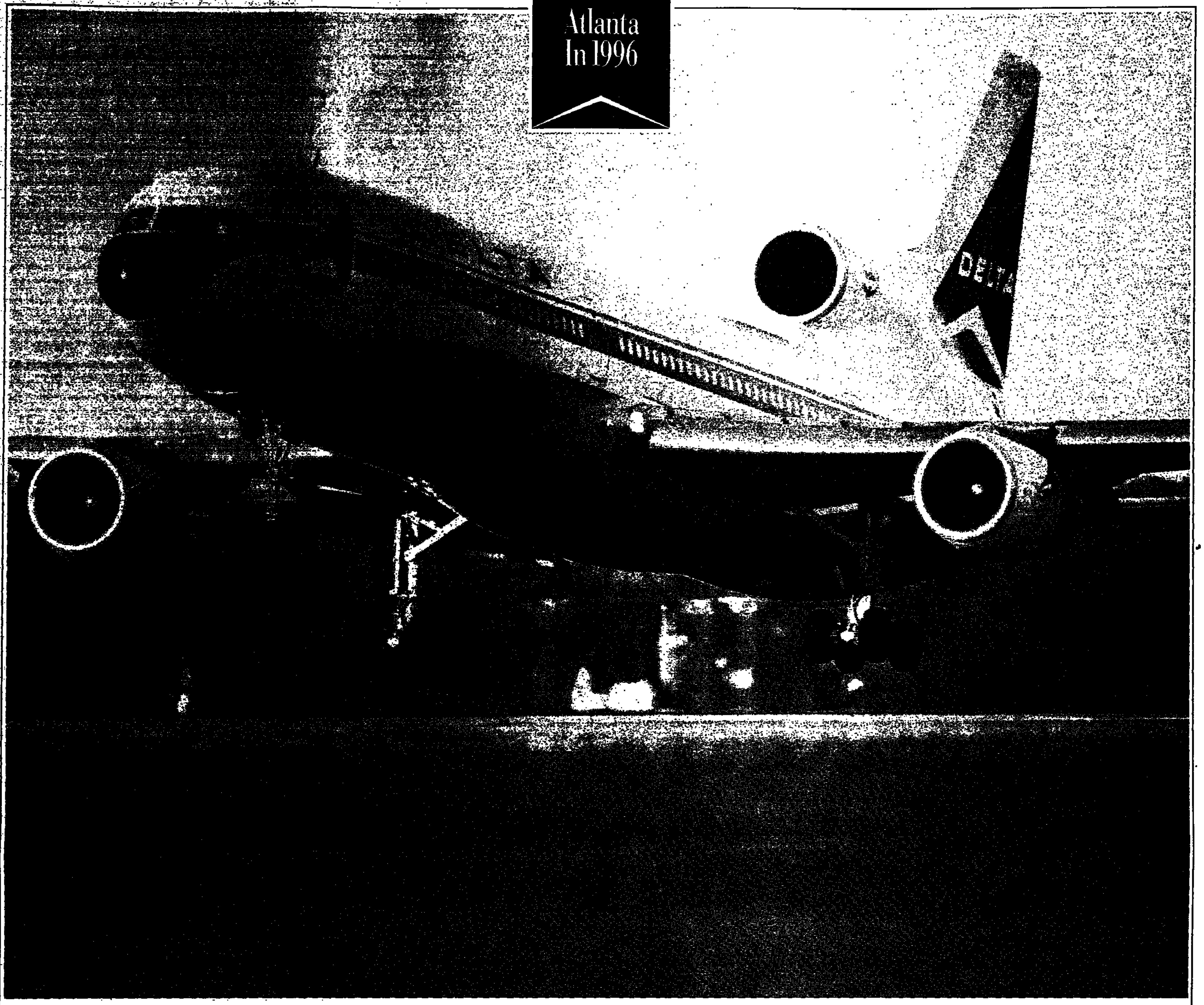

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MANAGEMENT

Barbara Durr reports on the army of unemployed American executives seeking new careers as consultants

Starting all over again

For many, it was living the American dream. They had a management job with a top US company, good pay and benefits, a house in the suburbs, two cars and a sense of security. But for many of these executives, the American dream has turned to a nightmare during the recession.

Hundreds of thousands of middle- and upper-level executives have found themselves out on the street and discovered that they have little chance of finding their way back to similar positions.

From January 1989 to June this year, 1.2m jobs have been eliminated by leading American corporations. Some 70 per cent of those cuts have come not in assembly line jobs, but in management, engineering and administration, according to Dan Lacey, editor of "Workplace Trends", a newsletter that tracks firings. "It's a dramatic and traumatic thing that's going on out there," says Lacey.

What is worse for many sacked executives is that they face a shrunken market for their skills, as lay-offs have affected whole industries. Among the hardest hit have been the computer, motor, aerospace and defence industries.

Redundancies are part of how American companies are grappling with tougher international competition, says Stephen Carter, manager of the Kansas City office of Right Associates, the world's leading publicly-held outplacement company.

The litany of lay-offs by American corporate icons, such IBM, AT&T, Alcoa and GM, seems endless. In the last 12 years, 5m jobs have been pared by the Fortune 500 and the contraction shows no sign of let up.

Paul Foask, managing director in Chicago of Korn/Ferry International, the largest US executive recruitment firm, says: "I don't have the salesman's optimism that things are going to get any better."

The situation is new to American executives. This is the first recession in which white collar employees are bearing the brunt of unemployment, says Richard Belous, economist with the National Planning Society, a Washington-based public policy group. "In the last two recessions, in 1982 and 1975, white collar unemployment was roughly 20-33 per cent of the total. Now, it's up to 59 per cent."

Moreover, long-term unemployment, little known to the white collar brigade, is becoming increasingly common. While managers used to be able to find a new position in a month, six months is now a minimum and many wait a year or more. Some are even falling out of the labour market altogether.

"What makes it bad is people feel they've been mislead. Generally, there's a great feeling of bitterness," says Jack Hackman, who lost his job two years ago as art department chief in Chicago for NBC, the broadcasting group.

Many of those laid off feel that their hard work and loyalty have largely not been rewarded, puncturing one of corporate America's sturdiest myths.

But Hackman has taken the path that increasing numbers of unemployed executives are choosing. He has become a consultant. He now does design work for restaurants, hotels and performing arts groups.

Job market experts believe that 15-20 per cent of redundant managers become consultants. Only a tiny percentage turn to franchising, creating their own company or acquiring an existing one, because all these options require start-up capital.

New consultants frequently begin by returning to perform subcontracting services for their old employers. A 1989 study by the National Planning Association showed that about half of those laid off were taken back on consultancy work. For some, the former employer becomes the prime client for as much as two years, says John Poynton, a partner of the Chicago outplacement company, Clarke Poynton Associates.

Many companies are finding that they can farm out work that was once done in-house at a considerably lower cost. Indeed, as healthcare benefit costs have soared, companies have struggled to employ outsiders rather than staff wherever possible. If those outsiders have worked for the company, so much the better.

Yet, while there is more work for consultants, their growing numbers means competition is fierce. For most, it is an insecure business. While a consultant works on one job it is difficult to spend time hunting for others to keep the diary full. And employers can pull work away on a whim.

To reduce their sense of isolation and uncertainty, many consultants join professional associations, says Tom Germuska, who lost his public relations job after 19 years with United Airlines. He is now president of the Midwest Society for Professional Consultants.

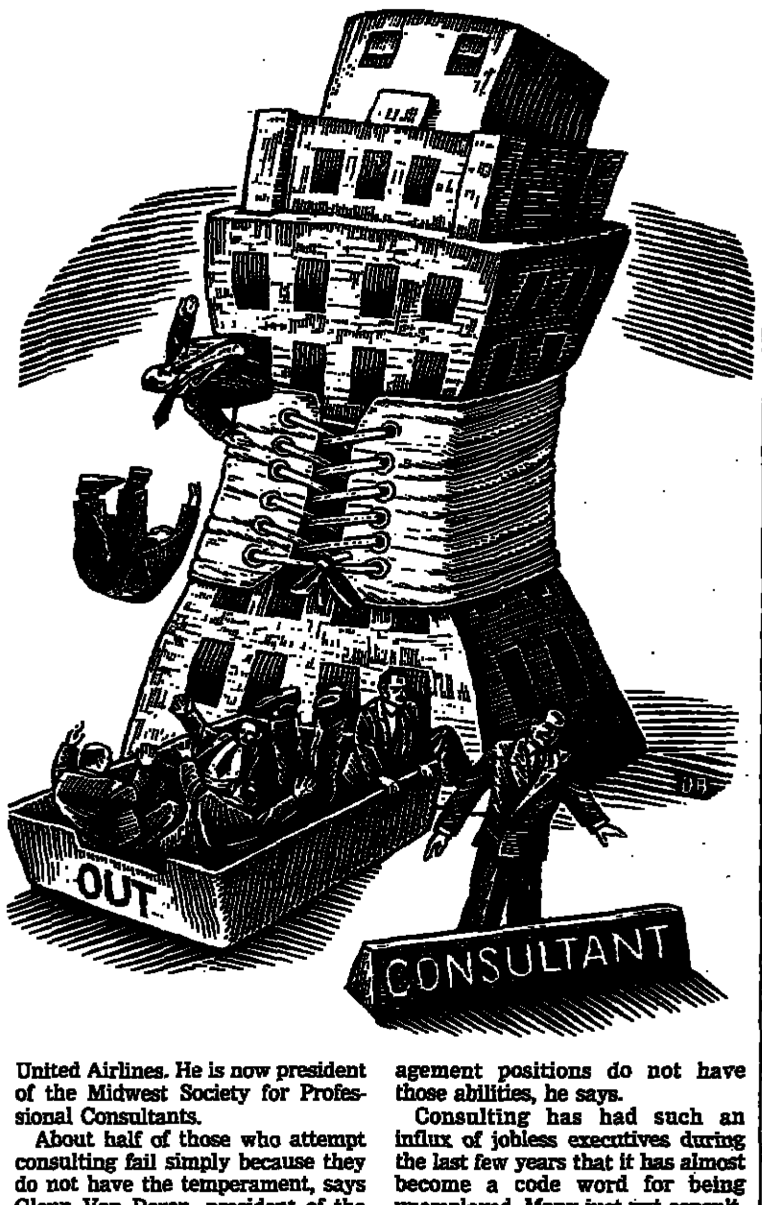
About half of those who attempt consulting fail simply because they do not have the temperament, says Glenn Van Doren, president of the Association of Executive Search Consultants. Like other entrepreneurial activities, consulting takes "people skills", and many who have been ensconced in corporate management positions do not have those abilities, he says.

Consulting has had such an influx of jobless executives during the last few years that it has almost become a code word for being unemployed. Many just put consulting on their CVs to fill in for a jobless period, though they have done little or no consulting work.

These people generally return to regular jobs. But with the wealth of managerial talent on the street these days, most face having to take jobs below their previous levels of salary, benefits and responsibility. And even those willing to do so must be flexible enough to consider changing industries and acquiring new skills.

The good news is that small- and medium-sized companies, traditionally the biggest generators of US jobs, are inheriting a vast pool of highly qualified managers to choose from.

One study by Right Associates even found that executives who went to work for small- and medium-sized companies are finding greater satisfaction in shaping and building up their new companies, despite the lower pay.



Therapy provides a counsel of hope

Sheila Lyons lost her mid-level job at a top business travel company last November. As the months have worn on, she has not only doggedly chased every possible job lead but fought to keep up her spirits.

"Some days I just can't make a call," says Lyons, normally an upbeat person, "It's a self-esteem thing." For middle- and upper-level executives, unemployment can be devastating. Accustomed to being in charge, busy, purposeful, they feel adrift and ashamed. So debilitating are these feelings that many have now sought psychological counselling and, in the process, spawned a new type of group therapy. Across the US, unemployment therapy groups for executives have been organised. Most are in churches, such as the one lead by Sonia Sukenick in Chicago.

Sukenick says: "As people are unemployed for longer periods, they become more desperate. Expectations don't pan out and they don't know how to plan new ones. There's a lot of pain involved." She tries to guide the jobless "to work through their feelings of abandonment and betrayal." She also counsels them to adjust their expectations and re-think their self-images. "Some will never know work as they did before, especially investment bankers," she said. The groups not only offer the unemployed relief from their sense of secrecy and isolation, but they also help at the practical level of providing a networks of contacts.

Mandarins peel away from the corridors of power

By Andrew Adonis

Until recently, the public sector was a world apart. The odd ex-headmaster might surface in the Department of Education or an academic economist in the Treasury. But they were highly exceptional breaches of a monastic order. For the rest, civil servants were recruited young, initiated into the mysteries of administration by apprenticeship, and only those sufficiently imbued by Whitehall were judged suitable for senior office.

All that is changing. The monasteries are far from dissolved, and are never likely to be while Sir Robin Butler and his ilk preside. But fraternisation is now positively encouraged, not just between the various branches of state administration, but between the public and private sectors. As yet, it is more talked about than happening, but a few of the chief executives of the "next steps" Whitehall agencies have come from local government, the NHS, even the private sector, and interchange at other levels is increasing. The Environment Department is even running a secondment scheme to encourage "co-operation and the cross-fertilisation of fresh ideas" between officials in Whitehall and local government.

What are the outsiders making of Whitehall, and the Mandarins of life outside? According to a report* by Saxton Bampfylde, the executive recruitment consultants, based on the "touristic perceptions" gained from interviews with numerous high-flyers who have moved between the two of late, the cultural divide between Britain's public and private sectors is a "Berlin Wall" which has barely started to crumble.

"Culture" is the word to stress: some of those who moved out to the private sector found the experience considerably less dramatic than they expected. One former civil servant, now working with a leading consultant, said: "I haven't made that much of a move: in consultancy I work in a similar way with similar people. It's more agreeable and I earn more money. In industry it would have been different."

"Industry" recurs as the deepest part of the Divide. "It sounds appalling now," recalled one civil servant, "but we thought 'industry', whatever it was, was for northern chemists. People like us went for the Treasury or the BBC."

The interviews revealed ignorance and mistrust to be deep-seated. "Stated baldly," says the report, the prejudices came down to two: "the public sector views the private as venal, vulgar and narrow", while the private sector sees the other as "timeserving, slow, fixated with process, inefficient, naive and opposed to change".

Far from having bridged the gulf, Saxton Bampfylde believe the 1980s probably widened it further "by endorsing defensiveness in the public sector and populist – 'less government' – views in the private."

In the words of one senior civil servant they quote: "I was talking to an otherwise perfectly sensible industrialist about the council and he said 'privatise it'. It was simply idiotic – a knee-jerk reaction – but he was an ardent Thatcherite and that was the rhetoric of the 1980s."

On a less crude level, the Whitehall emphasis on "process" as against the private sector stress on "results", and the cultivation of different skills in the two spheres, were found to be key factors. It was not just 'competitiveness' versus 'elegance of expression': in the public service, precedent and a sense of history and continuity matter – but not much in the private sector.

Rival dress senses also featured prominently. "When I left the Treasury," said one senior banker, "I gave up my Hush Puppies and bought a proper pair of black Oxfords. Everyone assumed that if you had been in the Civil Service you would be wearing cheap shoes, have a bad haircut, live in Surbiton and only be interested in your pension rights."

This Berlin Wall, it seems, is littered with shoes.

* *Privatising People? Career moves between the public and private sectors, Saxton Bampfylde, 35 Old Queen Street, London SW1, £49.*

BUILDING CONTRACTS

£71m Avonmouth development

A joint venture between **BALFOUR BEATTY CIVIL ENGINEERING** and **BIRTLEY ENGINEERING**, the Taylor Woodrow materials handling specialist, has been awarded the £71m design and construct contract, by National Power, for the bulk handling facility, as part of the ongoing redevelopment of the Royal Portbury Dock near Bristol. The total package comprises an offloading facility at the Royal Portbury Dock and a train loading facility at Avonmouth.

The work entails installation of continuous ship unloaders and a conveyor system from the ships and quayside to a stockyard. These will be linked, via a tunnel, to the other side of the River Avon estuary where the Avonmouth railhead is located by a series of conveyor and transfer stations. Two 2,600 tonne bunkers are to be built at the railhead with facilities for loading and dispatching of trains each carrying 1,500 tonnes in total weight at hourly intervals.

Prior to works operation, part of the Portbury Dock will need to be deepened by the dredging of 200,000 cu metres of material in order to accommodate bulk carrier ships up to 120,000 dwt.

Another aspect of the contract involves extending and upgrading the existing quay structure at the Royal Portbury Dock. This is to facilitate the two continuous ship unloaders, which stand 40 metres high, weigh 1,200 tonnes and are capable of unloading material at 1,750 tonnes per hour.

The 3.35 metre internal diameter tunnel is to be constructed using a full face Lovat tunnel boring machine, which has to go through varying strata from soft silt and clay to very hard conglomerate rock. Work has already commenced and the project is intended to be fully operational by July 1993.

Tunnelling project in Boston

The American division of **EVERED BARDON**, the international quarry and aggregates group, will be the primary supplier of ready mixed concrete to the new Third Harbour Tunnel connecting Logan International Airport to downtown Boston.

The contracts total in excess of 665,000 cu yards of ready mixed concrete and have an approximate value of US$40m (£20.9m). Deliveries have begun and will continue until 1994.

These awards are the first phase of a number of major materials contracts to supply what is believed to be the largest infrastructure development underway in the US. Over the next eight years a total of US$11bn (£5.76bn) of infrastructure work will be completed in Boston as the Third Harbour Tunnel/Central Artery and a major sewage treatment plant at Deer Island are built.

Transport studies

RENDEL PALMER & TRITTON has won a contract to project the expansion of the port of Mombasa in Kenya over the next 10 years, together with the development of an inland container transport network. The two studies are being funded by the World Bank on behalf of the Kenya Ports Authority.

The 10-month study of Kenya's principal port has a wide ranging brief covering the port's layout, operational equipment, land use, traffic forecasts, manpower planning, management efficiency, computer applications for improving efficiency of port operations and a review of throughput costs.

Container handling at the port is particularly important to the second part of the contract, a six-month study into the strategic development of inland container depots.

Olympic arena facility for Manchester

A consortium led by **BOVIS CONSTRUCTION** will design, build, manage and operate the new indoor Olympic arena at Manchester's Victoria Station, following the formation of a partnership between Bovis and Intercity Property Group.

The first phase, totalling £50m, will be well underway for the visit next year of the International Olympic Committee, which will be assessing Manchester's suitability to host the 2000 Olympic Games.

The arena, plus new rail concourse, car park, offices and a hotel, will be built on a site which currently includes platforms 14-16 of the Manchester railway station. Bovis will start on site at the end of this year with completion scheduled in 1995.

Bovis will build an indoor arena with a capacity of 15,000 seats capable of providing a further 5,000 seats for the Olympic Games. It will be suitable for a variety of sporting and entertainment events, including football, basketball, tennis and pop concerts.

£21m Devon hospital rebuilding scheme

The phase two redevelopment scheme, worth £21m, for Royal Devon and Exeter Hospital at Wonford has been awarded to **WIMPEY CONSTRUCTION SOUTH WEST**.

In a 38-month project which gets underway this month, the contractor will create clinical support departments at the hospital. It is the second and largest phase of a scheme to rebuild the 450-bed hospital for the South Western Regional Health Authority, which is affected by concrete cancer.

The development features five linked cruciform structures which will provide 24,000 sq metres of hospital accommodation on two and three storeys.

Almost half of Wimpey's work involves the installation of complex mechanical and electrical facilities in the new departments. Overall, the hospital will house a total of eight theatres, 11 X-ray rooms, an accident and emergency unit, an intensive care unit as well as various outpatient clinics, two acute awards and catering facilities.

Apart from the support services in the main hospital, Wimpey will also construct and fit out a power generation centre as well undertake the fitting out of two wards built in the first phase.

Enveloping the concrete-frame scheme will be a pattern coloured brickwork. The hospital will be topped with a steel framed roof and timber rafters clad with interlocking concrete tiles.

The development is planned in such a way that further phases can be added later.

Museum's storage plan

The Science Museum has awarded **TILBURY DOUGLAS CONSTRUCTION** a £2.6m contract to design and build what is believed to be one of Europe's most advanced museum storage facilities at Wroughton airfield in Wiltshire.

The project is part of a Science Museum initiative to improve the conservation and accessibility of its collections and the building's complex technical specifications will ensure that its contents are kept in the best possible condition, whilst a high-technology racking system will make it easy to locate and access individual objects.

The building will be divided into two separate stores by a central access, goods receipt and service area. It will comprise a single span, steel portal frame covered with a composite wall cladding system and metal deck roof.

Completion of the project is scheduled for the summer of 1993.

Steelwork ventures

WESCOL STRUCTURES has won three contracts with a total value of over £2m. Wescol will be the steelwork contractor for a bulk sugar storage building for Tate & Lyle at Silvertown, Isle of Dogs.

The other contracts are for the steelwork, cladding and metal deck at Dundee Technology Park for Micklegate Group, and for steelwork and decking for military buildings at Brecon for PSA Projects.

PEOPLE

Dare creams off the top job at MMB

One of the Milk Marketing Board's more vocal critics is to take over as its chief executive to prepare the 60-year old milk monopoly for privatisation in the next two years.

As a former president of the Dairy Trade Federation, which represents dairies and producers, and with nearly 20 years at Unigate, 50-year-old Andrew Dare has been well immersed in the milk business. A farmer's son, he became managing director of St Ivel in 1979, joined the main Unigate board in 1988 and became head of its British food interests.

Apparently disappointed at not securing the top job at Unigate, he resigned in March of last year shortly after the new boss Ross Buckland arrived from Kellogg's. Dare then set up his own consultancy; by the end of the year MMB was a principal client.

"They wanted to change fundamentally and I suppose they thought a critic had more to offer," he says of his appointment as special adviser to the board. "Later they suggested I had better come and implement my proposals."

His aim is the creation of "a totally free market in milk". Dairy Crest, a subsidiary of the Milk Marketing Board, will be floated on the stock exchange "in roughly two years' time". Meanwhile the board itself will be replaced by a single voluntary co-operative – "a market-oriented and slick organisation" which Dare says should be a viable competitor to the giant continental European dairy co-operatives.

Charles Runge, MMB boss until the end of last year, resigned shortly before Dare arrived as a consultant. Finance director George Wright was promoted into his position, and retires at the end of this month aged 60.

But Dare's move does nothing to quiet the critics who have seen the MMB and DTF as an established, cosy cartel whose differences were not as great as they were sometimes made to seem. Dare now has to prove he is not replacing a statutory monopoly with a voluntary monopoly – the very danger he warned incessantly of from his seat at the DTF.

■ **KEMBREY**, the Slough-based electrical components manufacturer beset by boardroom rows last year, has parted with its finance director Philip MacDermott, who is leaving after two years at the company.

Chief executive Michael Cleary says he had worked with MacDermott, who is now 46, at Allders Department Stores, when they were respectively finance director and financial controller there in the early 1980s.

"After the hiatus at Kembrey," during which Cleary was ousted in a boardroom coup, but then clambered back into the chief executive seat at the beginning of this year, "we decided we wanted to restructure, which means an increased emphasis on financial control. The day-to-day nuts and bolts of financial control are not (MacDermott's) strong suit, and, we both agreed he would be better seeking his career elsewhere."

His replacement, Justin Whitehorn, 43, was finance director of a private company, British Hartford Fairmont, which is involved in refractory materials, one of Kembrey's key businesses.

■ Howard MacDonald (above right), who resigned as chief executive of County NatWest in April 1991, has resurfaced in the City. He has been made an adviser to The Phoenix Development Capital Fund, a new venture capital operation.

MacDonald, who made his name in the oil industry with Shell, is one of three non-executive directors of the new fund's advisory board. Sir Eric Parker, chief executive of Trafalgar House, and Sir Malcolm Field, group managing director of W H Smith, have also been appointed to the advisory board.

Phoenix Development Capital is managed by Phoenix Fund Managers and has already committed £7m in four investments which range from VCH, Germany's second largest scientific publisher, to the recently privatised Medway Ports. It has raised £35.5m from investors and hopes to raise another £40m by the autumn. Mitsubishi Corporation, one of Japan's biggest companies, has a substantial stake in the fund and has a representative, H Nonomiya, on its advisory board. Michael Lay of the Ontario Teachers Pension Plan Board is also an adviser.

■ **Allan Alpin**, of **MARSTON, THOMPSON & EVERSHED** who was promoted from head brewer to production director and became a non-executive director on his retirement in 1991, died on July 31.

■ **Brian Brooks** is appointed director of human resources and senior vice-president of WPP, and will be based in New York; he joins from Towers Perrin where he specialised in career development and compensation.

■ **Terry Best** is appointed finance director of TRAVIS PERKINS on the retirement of John Wilson.

■ **Brian Thompson** has been appointed executive chairman of the DOMINICK HUNTER GROUP in succession to Robin Hodgson who remains on the board as a non-executive.

■ **Marie Bukowski** has been appointed medical director of Duphar Laboratories, the pharmaceutical division of SOLVAY, in the UK. She was formerly director of medical operations at Boehringer Ingelhiem.

ARTS

Rossini Opera Festival/**William Weaver**

A triumphant Semiramide brings the house down

THIS YEAR'S Rossini bicentenary has been an occasion for rejoicing everywhere, but hardcore Rossinians have been keeping an eye on Pesaro, the composer's birthplace, to see how its pace-setting Rossini Opera Festival and its parent organization, the Rossini Foundation, would celebrate the important anniversary.

The 1992 festival opened with new productions of *The Barber of Seville* and *Semiramide*, along with exhibitions, publications, and promise of more music to come. In other words, Pesaro is joyfully doing its duty by the composer who brought glory to the city and also – practical man that he was – made the city heir to his sizeable fortune (which underwrites the Foundation).

The opening night *Barber* was, sad to say, a sore disappointment and high hopes were dashed. High, because in theory this production should have been particularly interesting: shunning the big-name stars associated with earlier festivals, the artistic direction called on young, almost unknown artists and engaged a conductor, Paolo Carignani, still at the outset of his career. To stage the work, they chose the veteran Luigi Squarzina; but this, too, was an unconventional choice, for Squarzina is most admired for his serious work, and humour is not his long suit.

It is not the conductor's, either. He and Squarzina deliberately set out to present a *Barber* shorn of traditional gags and grimaces; actually, Squarzina made up some gags of his own, and trotted out some hoary stage action. Obviously a fine musician, Carignani led the RAI Orchestra of Turin with sober accuracy and delicacy, but absolutely without sparkle. Coupled with Squarzina's heavy, unspontaneous staging, this approach spelled disaster, especially as the singers lacked a sustaining familiarity with their roles.

The obtrusive, inappropriate sets of Giovanni Agostinucci (Bartolo's study transformed into the Bologna anatomy theatre) contributed to the oppression. Nevertheless, Roberto Frontali (recently admired as Rodrigo in a Genoa *Don Carlos*) sang with style and indicated a roguish wit, still to be developed. Bruce Ford, not in his best form, was an acceptable Almaviva, though he relied too much on pianissimo singing. So did some of the others: Maurizio Picconi's Bartolo was often inaudible. Giovanni Furlanetto, lanky, sharp-faced, seems born to sing Basilio and will surely grow into the part: this was a dry run. Whether or not Lola Casariego will ever be a real Rosina is hard to say; the evidence in Pesaro was surely negative. The voice is unreliable at top and bottom, and the style was mannered, superficial, all smirks and flounces, with no hint of the real character so clearly defined in the music.

After this experience, the audience approached *Semiramide* with understandable apprehension: over four hours of music in the inhospitable Sports Palace, with singers unknown and a young producer.

What ensued was one of the most exciting evenings that Pesaro has vouchsafed in recent years. The veteran scholar-conductor Alberto Zedda (who collaborated on the edition) knows and – more important – feels every note of the score. He neither dawdled nor sped, but let the long, complex numbers unfold at their proper pace; the singers were not indulged, nor were they prodded. Fortunately, all of them displayed an excellent sense of tempo and a real dramatic skill.

The Georgian soprano Iano Tamar was an unusual Semiramide: not the lighter coloratura we are used to, but a genuine dramatic soprano capable of remarkable agility. As Arsace, Gloria Scalchi (who made a stunning impression a couple of years ago in *Ricciardo e Zoraide*) confirmed her position as a valuable addition to the Rossinian ranks.

But the great triumph of this production was Michele Pertusi's Assur: a flexible, dark bass voice, accompanied by penetrating dramatic skill. His "mad scene" towards the end of the opera brought down the house (and the Palazzo dello Sport is quite a house to bring down). Gregory Kunde, a relatively new Rossini tenor, with a sweeter voice than most in that category, turned Idreno into a major figure; and the even smaller part of Oroe was masterfully interpreted by Ildebrando D'Arcangelo, another Pesaro debutant of great promise.

The musical success was paralleled by the overwhelming success of the production: director and designer was Hugo De Ana, who made his Italian debut in 1990 with a Rossini opera (*Mos*) in Bologna.

He filled the vast stage with supers, dancers, mingling with the chorus in a pageant that was always meaningful, apposite and uncluttered. The soldiers really looked fierce; the zealots created authentic tension. The gestures of the singers were hieratic, inhuman, on a larger-than-life scale; and yet the more private scenes found the characters equally convincing as their extreme emotions were laid bare. There was an Oriental quality about the costumes – sometimes suggesting Siam, or even Bali – and also about the acting: entrances were commanding in the manner of Kabuki. The monumental sets enhanced this splendid, awesome dimension. And the final tableau, a light-hearted scene of the reaping of grain, set the seal on the celebration.

Visitors to the festival, unless they want to spend their days on the beach or in excursions into the lovely hills behind the city, can pleasantly pass some hours in the Museo Civico, where the rooms have been rearranged to show off to advantage the several dozen pictures Pesaro inherited from Rossini.

Or, they can visit the handsome Palazzo Montani Antaldi, newly restored, which houses a commemorative Rossini exhibition, rich in unfamiliar treasures or in new juxtapositions of familiar ones. The curator, Mauro Bucarelli, has assembled hundreds of items – autographs, portraits, personal objects (even one of the composer's wigs) and albums – to create a picture not only or Rossini but of an age. The catalogue will remain a permanent, indispensable contribution to Rossini scholarship.

Theatre/**Malcolm Rutherford**

Excellence on the small stage

TWO PLAYS in London this month are worth seeing as an illustration of how technically excellent the small stage has become. They are *Seven Doors* by the German writer, Botho Strauss, at The Gate, and *Porcelain* by a Singaporean writer, Chay Yew, at the Royal Court's Theatre Upstairs.

On the face of it, the two pieces could not be more different. *Seven Doors* is very German abstract, with references to Faust, and hops about all over the place, including hell. *Porcelain* is an investigative documentary about a homosexual murder in a public lavatory in Bethnal Green. Technique brings them together.

Both productions use casts where people play more than one part – not particularly for reasons of an economy, but as a deliberate style. In the programme for *Porcelain*, indeed, only one actor is listed against a specific part. That is Daniel York as John Lee, the young Hong King Chinese student who commits the murder and plays only himself throughout. All four other actors are named simply as voices and take on whatever role is appropriate: police officer, television interviewer and so on.

The Gate, as so often, is ambitious about the staging, despite having one of the smallest available spaces in London theatre. David Farr's direction of *Seven Doors* has a cast of 10. Sometimes they appear all at once without falling over each other. Moreover, this relatively large cast does not preclude an effective and frequently changing set. The seven doors of the title are not always in the same place, yet there is still no impression of overcrowding. There is also some dramatic use of lighting and colour.

The same goes for Glen Goei's and Stephen Knight's direction of *Porcelain*, which is played almost entirely in black and white. One notably harrowing scene is played in the dark with only the voices heard, and is all the better for such restraint.

There are other similarities. Botho Strauss and Chay Yew both have a fascination with television. *Seven Doors* picks up a television quiz show and there are frequent scenes of characters being interviewed. Much of *Porcelain* develops as though it were a documentary for Channel 4. I do not find this simply derivative; it is the playwrights' acknowledgement that television is a very power influence, whether revealing or distorting.

Quite apart from the technical excellence and the high standing of acting, the two pieces have a high level of seriousness. *Porcelain* is one of the few modern plays that I have seen which does not seek to blame crime on the police. Indeed, the police officer, when interviewed, is studiously neutral and fair. He says that he thought he detected a look of mourning on the face of the presumed killer.

It is also hard to say whether *Porcelain* is more about homosexuality, race or just plain loneliness. This is a compliment. Any play which manages to bring off such a mixture of themes deserves to be praised. In the young Asian it adds a new voice: a clever man who is about to go to Cambridge, but has not adjusted to the society around him. Daniel York's performance is outstanding; so is that of the unnamed Cambridge psychiatrist who talks to him in prison. And whatever you may think of the subject, it is immaculately handled.

Seven Doors is about loneliness, too: more particularly, the difference between supposed extraordinary and ordinary people. There is a splendid scene when the inventor of a video machine that records dreams has committed suicide and arrived on the "other side". Hell turns out to be exceedingly boring. Among all the excellent playing, I would single out Barry Wallman who plays a Mephistophelean figure called simply The Void. The whole piece is haunting. Between them the two plays tell you a great deal about modern theatre.

Seven Doors, The Gate until August 22. (071) 229 0706. Porcelain, Royal Court Theatre Upstairs. (071) 730 1745

Winter fashions for 1837-38 paraded on Carlton Terrace – from a fashion plate by the Bloomsbury tailor Benjamin Read

Exhibitions/**Gunter Kowa**

London's self-esteem 'rediscovered'

THE AUTHORS of a recent report draw a disturbing picture of London as a capital in decline. Despite its title, *London: World City*, they remark: "Somewhere along the line, London appears to have lost . . . a sense of its worth." If this is so, the missing self-esteem can be rediscovered in the German city of Essen, where the former residence of the Krupp dynasty, Villa Hügel, plays host to the exhibition "Metropole London 1800-1840".

It is a sumptuous show with more than 500 exhibits from 100 public and private collections, mainly British. It is not just the wealth and breadth of the display which impress. It has also been put together with gusto.

This is not the first occasion that the Villa Hügel has proved to be an ideal venue for such an ambitious show. The memorable evocation of "Baroque in Dresden", mounted in 1986, was followed by exhibitions on Prague and St Petersburg. These portraits of cities focused on epochs of outstanding cultural achievement.

Villa Hügel, situated in rambling parkland high over the river Ruhr, is the mildly tasteless extravagance of a steel-magnate craving aristocratic status, the product of German industrial might at its height. But the neo-baroque pomposity and the sheer scale of its rooms lend period character to a jumble of artefacts chosen to represent both the best and the worst aspects of a city's most creative epoch.

As on the previous occasions, the Krupp-initiated Kulturstiftung Ruhr has organised the London exhibition as part of its investment in cultural activities.

And once again, the foundation has managed to persuade lenders to part with the gems of their collections.

Unlike the golden ages of cities like Dresden and St. Petersburg, which flourished and were then superseded, the impetus behind the rise of the metropolitan London between 1800 and 1840 was economic vigour – the rapid development of trade, commerce and industry – which in turn sparked off advances in science and reactions in art.

The past frequently serves to illustrate the present. The exhibition begins and ends with the entry into a new era, whose legacy is, at present, undergoing rejuvenation with as yet uncertain success.

There are, on the one hand, the new docks in all their glory, recorded in coloured aquatints, maps and construction drawings. Trading ships, decked in flags, proudly sail into St Katherine's Dock on the opening day, watched by a festive crowd. The first railway coaches, on the other hand, look very much like an experiment, which did not stop the city planners from digging vast trenches across town ready for the new London & Birmingham Railway.

In between the dawn of the overseas trade and the outbreak of the railway mania, the exhibition paints a picture of the city throbbing with activity: from the elated Roman fantasies of John Soane, architect of the Bank of England, to the vagaries of daily life as told by the scurrilous caricaturists.

It is also a time of inventions both practical (if untried, such as gas lighting) and exclusive (such as pottery from Wedgwood and others).

Painting, on display in the magnificent grand room, leaves its aristocratic origins behind and turns to the taste of a new breed of connoisseurs, such as the Barings, the powerful bankers memorably portrayed by Thomas Lawrence.

There is also the unsuccessful attempt by David Wilkie and Benjamin Robert Haydon to elevate contemporary subject matter to grand historic pieces, as well as the animal sentimentality of Landseer. Other sections cover literary and scientific developments.

London certainly had "a sense of its worth" in these years – a sense, it seems, which extended throughout all walks of life.

A sumptuous catalogue in English has been published by Yale. It is *London – World City 1800-1840*, edited by Celina Fox, containing 624 pages and selling at £45.

Villa Hügel, Essen, daily until 8 November.

Serious Fun/**David Vaughan**

Formality over personality

SERIOUS FUN is the annual festival that brings contemporary dance, music, and performance art to Alice Tully Hall at Lincoln Centre – alternative summer fare to the Mostly Mozart concerts in Avery Fisher Hall.

This sixth season began with Robert Wilson's production of Gertrude Stein's *Dr Faustus Lights the Lights* from the Hebbel-Theater in Berlin. Like all Wilson's work, it was visually striking and the actors' movement and make-up were stylised to a fare-thee-well. That was the problem – the piece lacked any spontaneity.

Returning towards the end of the festival, I caught the two clowns, or New Vaudevillians, David Shiner and Bill Irwin, in a show whose spontaneity was infectious. Shiner is a star of the Canadian Cirque du Soleil, while Irwin is the only baggy-pants comedian to have received a MacArthur Fellowship, sometimes called "genius" award. Irwin is in continual danger of being dragged into the wings by an unseen force; Shiner, for his part, seems on the point of being carried into the air by his umbrella, like Alain in Ashton's *La Fille mal gardaae*.

The festival usually culminates in an evening called "Megadance". This year, in tacit recognition, perhaps, of the fact that only a handful of American choreographers are making work that would justify such a prefix, the concert consisted of revivals of avant-garde works of the fifties, sixties, and seventies, assembled by the dance historian Sally Banes. Dancemakers of that generation wanted to wipe the slate clean: in the words of Yvonne Rainer's famous manifesto, they said: "No to spectacle, no to virtuosity . . . no to the glamour and transcendency of the star image."

Rainer's almost legendary *Trio A* (1966) exemplified her injunction. But, paradoxically, its original performers, Rainer herself, David Gordon and Steve Paxton, had a kind of authority that undeniably added up to star quality. Here, Clarinda Mac Low went through the motions, though with proper clarity and sense of weight.

Paul Taylor's first concert in 1957 had an experimental audacity that he soon deliberately abandoned. Deadpan, wearing a business suit, he assumed a series of nonchalant poses, accompanied by the telephone time signal, in a solo called *Epic*. Restaged as a duet what was once audacious now seemed harmless enough.

The programme proved that, in experimental dance, just as in ballet, works with strong formal content have a better chance of survival than those that depend on the personality of the performers. Formal values were strongest in James Waring's *Rose* and Lucinda Childs's *Interior Drama*. *Rose*, made for a student company at the University of Maryland, in Baltimore County, just before Waring died in 1975, does not call for virtuosity, but it does call for conviction. The present group realised the dance in all its grave austerity.

Interior Drama (1977) marks a transition between the extreme minimalism of Childs's previous work and the greater theatricality of *Dance* two years later. At that, there are only four steps in it, and *one marvels at the dancers'* ability to keep variations and permutations in their heads.

Simone Forti was among those who replaced formal structure with game- or task-based instructions to the performers. *Slantboard/Huddle* (1961), in which they clamber up a sloping board or over each other, is possibly more fun to do than it is to watch. Meredith Monk's solo *Break* (1964) must have depended to a great extent on her personality; Lutz Forster, from Pina Bausch's company, gave it a sinister edge that was surely quite different but still powerful. Gus Solomons Jr's solo *Kinesia No.5* (1967), which he performed himself, has some fascinating movement.

Rudy Perez's solo *Countdown* (1965), in which he slowly smokes a cigarette to two of the "Songs of the Auvergne," reminds us that experimentalism is no guarantee against sentimentality.

INTERNATIONAL ARTS GUIDE

FESTIVALS

BAYREUTH

The second of this summer's three Ring cycles continues with Die Walküre tonight, Siegfried on Wed and Götterdämmerung on Fri. Anne Evans sings Brünnhilde, with John Tomlinson as Wotan, Nadine Secunde as Sieglinde, Poul Elming as Siegmund and Siegfried Jerusalem as Siegfried.

The final cycle of the Kupfer-Barenboim Ring, now in its fifth year, begins on Aug 21. This week's other operas are Der fliegende Holländer on Sat, conducted by Giuseppe Sinopoli, and Tannhäuser on Sun, conducted by Donald Runnicles.

The Tannhäuser cast, almost all new to Bayreuth, includes Wolfgang Schmidt in the title role, Tina Kiberg as Elisabeth and Eike Wilm Schulte as Wolfram. Ends Aug 28. (921) 20221

BREGENZ

This summer's show on the floating stage is a revival of Jerome Savary's production of Carmen, with alternating casts including Sally Burgess in the title role and Edmund Barham as José.

Tonight's Vienna Symphony Orchestra concert in the Festspielhaus is conducted by Vladimir Fedosseyev, and consists of Mahler's Fourth Symphony (Wilhelmina Fernandez) and Shostakovich's Sixth.

Ends Aug 23. (5574) 4920 224

EDINBURGH

The festival opens on Sun with a concert performance in the Usher Hall of Schoenberg's Moses und Aron, with the BBC Scottish Symphony Orchestra and Edinburgh Festival Chorus conducted by Richard Armstrong.

The opening week of concerts is dominated by Tchaikovsky — including a concert performance of The Oprichnik conducted by Mark Ermler and a visit by the St Petersburg Philharmonic.

The main drama offering in the opening week is Harley Granville Barker's The Voysey Inheritance at the Lyceum. Mark Morris Dance Group and Cristina Hoyos head the ballet programme.

Ends Sep 5.

Official Festival: telephone bookings (31) 225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: (31) 225 1188. Fringe: (31) 226 5257

LA ROQUE D'ANTHERON

La Roque d'Antheron, 50km from Avignon and Marseilles, is the attractive setting for a festival dominated by pianists.

Jean-Marc Luisada is soloist in tomorrow's concert of Haydn and Beethoven given by the Austro-Hungarian Chamber Orchestra under Adam Fischer.

The same orchestra gives a concert on Thurs with soloist Jean-Bernard Pommier. The celebrated Russian pianist Anatol Ugorski makes his French debut on Wed with a recital of Beethoven, Schubert and Stravinsky.

Alexei Lubimov gives an early evening recital on Fri, followed later by a concert of French music by four different pianists.

On Sun, Nicholas McGegan directs the Arcadian Academy Ensemble in music by Corelli, Rossi and Uccellini. Ends Aug 23. (16) 4250 5115

LUCERNE

This year's festival, the first to be organised by Matthias Bamert, opens on Sat with Beethoven's Ninth Symphony, played by the ECYO under Giulini. Krystian Zimerman plays Bartok's First Piano Concerto on Sun, in an orchestral concert conducted by Gary Bertini.

Next week's visitors include Andras Schiff, Maurice André and the London Philharmonic under Tennstedt.

Later in the festival there will be a chance to explore the music of Les Six and observe Lucerne's first-ever street music competition. Ends Sep 9. (41) 235272

PESARO

Rossini's birthplace has enjoyed a generous spread of performances in this year's bicentenary. All that remains now is a final performance of Semiramide tonight at the Palafestival, a concert featuring Salvatore Accardo at the Auditorium Pedrotti on Sat and the Ronconi/Abbado all-star production of Il viaggio a Reims at the Teatro Rossini on Sun and next Tues. Ends Aug 18. (721) 33184

SALZBURG

At halfway point in this year's festival, there can be no doubt the new management team of Gerard Mortier and Hans Landesmann has engineered a different atmosphere to the past.

Works like Janacek's From the House of the Dead (tonight in the Grosses Festspielhaus, conducted by Abbado) or Boulez's Repons (Sat in the Lehrbauhof, opening a Boulez residency) would never have been programmed in the Karajan era. Directors like Peter Sellars (whose production of Messiaen's St François d'Assise opens in the Felsenreitschule next Mon) would never have been invited.

Gone are festival regulars like James Levine. The record companies are adopting a lower profile. Audiences look younger and more informal. Even the ushers in the Grosses Festspielhaus have lost their distinctive apparel.

But the search for a new festival public continues: there are still seats left for most events - apart from obvious sell-out shows such as Le nozze di Figaro (Fri and next Mon in the Grosses Festspielhaus, conducted by Haitink).

This week is strong on recitals (by Fischer-Dieskau tonight and Sat, by Ann Murray and Philip Langridge on Fri) and orchestra concerts - with the St Petersburg Philharmonic visiting on Wed and Thurs, and the Academy of St Martin in the Fields on Sun (with Anne Sophie Mutter).

Solti conducts Die Frau ohne Schatten tomorrow, as well as two Vienna Philharmonic concerts later in the week. Ends Aug 30. (662) 846682

SCHLESWIG HOLSTEIN

This week's programme is dominated by the Norwegian Chamber Orchestra with Iona Brown (tonight in Altenhof, tomorrow in Hasselburg, Wed in Elmshorn) and the Cleveland Quartet (tomorrow in Haseldorf, Wed in Heide, Sun in Wyk).

Anne Sophie Mutter plays in Kiel tomorrow, and Bruno-Leonardo Gelber gives piano recitals in Lübeck on Wed and Altenhof on Thurs.

There are orchestral concerts in Lübeck and Neumünster on Sat, and the Gothenburg Symphony Orchestra plays in Kiel and Eutin early next week. Ends Aug 23. (431) 567080

TANGLEWOOD

Yo Yo Ma plays the six Bach cello suits on Wed. Frederica von Stade sings Berlioz's Les Nuits d'été on Fri, in a Boston Symphony Orchestra concert conducted by John Nelson.

The programme on Sun - also conducted by Nelson - includes Mozart's Flute Concerto (James Galway) and Rakhmaninov's Second Symphony.

Rudolf Firkusny is piano soloist in an all-Mozart programme on Sun featuring the Mostly Mozart Orchestra conducted by Gerard Schwarz.

Ends Sep 1. Ticketmaster Boston (617) 931 2000 New York City (212) 3077171

TAORMINA ARTE

Sicily's main music festival runs from Sep 7 to 13. There will be two staged performances of Elektra, with Gabriele Schnaut in the title role, and three concerts by the Philharmonia Orchestra conducted by Giuseppe Sinopoli, featuring works by Mahler, Beethoven and Wagner. (942 21142)

VERONA

There are daily performances in the Arena from tomorrow until Aug 30. Aida (tomorrow, Thurs and Sun) is conducted by Nello Santi.

The cast of Don Carlo (Wed) includes Maria Dragoni, Bruna Baglioni and Alberto Cupido. Nabucco (Fri) brings together Piero Cappuccilli and Linda Roark Strummer. La bohème (Sat) has Neil Shicoff as Rodolfo. (45) 590109

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday August 10 1992

Using force in the Balkans

CONFRONTED with the escalating conflict in Bosnia-Hercegovina and the mounting evidence of barbaric behaviour by the parties, it is hard to avoid an overwhelming sense of helplessness. Understandably, western public opinion clamours for military intervention to halt the fighting, or to mitigate its worst excesses. Equally understandably, western governments approach that idea with the utmost caution, seeking ways to avoid exposing their own soldiers to mortal danger on the ground.

Yet events have developed a logic that poses a stark choice for political leaders in western Europe and the US: either they can seize the initiative now and start making a clear-headed calculation of how they might sensibly use force; or they will face the danger of being sucked into the conflict in an ill-planned and ineffective fashion.

Which way will they go? So far, the signs are not encouraging. President George Bush, gripped by pre-election paralysis, says he will go along with any course of action agreed in the United Nations Security Council but states flatly that he will not succumb to political pressure to send troops no matter what the circumstances. Mr Douglas Hurd, the British foreign secretary, proposes enhancing the UN relief effort by setting up armed aid convoys, but on a basis so modest as to be almost irrelevant. Meanwhile, the voices urging direct military intervention on one side of the conflict – to punish Serbia and its Bosnian proxies, to "take out" their heavy weaponry, or even, as Lady Thatcher has proposed, to arm their Moslem enemies – grow louder all the time.

Misguided voices

Those voices are misguided. True, offensive action against the Serbs might serve to suppress the worst of the fighting for a while – for example, by destroying artillery emplacements or tanks. But to have such an impact force would have to be used on a massive scale and over a protracted period; given the highly localised nature of much of the fighting, it would almost certainly entail bloodshed among civilians as well as among the foreign troops reminiscent of the Lebanese civil war. Nor, although the Serbs bear a disproportionate share of the blame for the conflict, are they by any means the only guilty party.

Doing nothing, however, is no longer an option. The Serbs' deliberate strategy of grabbing land and driving Bosnian Moslems from their homes is so morally repugnant as to cry out for a response. It is creating a refugee problem that will haunt the rest of Europe for years, if not decades. And there is a constant danger that unless the west is seen to act, the conflict will spread, dragging in neighbouring and Middle Eastern countries and setting a precedent that will be noted by would-be dictators all over the former Soviet empire.

No guarantee

These problems are vast and intractable; no strategy to confront or contain them is assured of success. But there are practical ways in which the application of western force might help.

First, European countries and the US – perhaps working through Nato, under authorisation from the UN Security Council – could undertake a significant expansion of the humanitarian relief effort, backed by military force on a scale sufficient to ensure its reliability. The mission would be to establish permanent relief corridors from the Adriatic and from Sarajevo airport to besieged Bosnian cities; any violent attempt to interfere with it would be met with equivalent force. Second, air and sea power might be deployed to tighten and strengthen sanctions on Serbia, establishing a blockade on its borders, its airspace, on trade routes such as the Danube and on its supply lines to its surrogates in Bosnia. Third, military assistance could be provided for the establishment and protection of "safe zones" for displaced persons close to their homes. This needs to be accompanied by the provision of adequate refugee facilities further afield – including in Britain.

All these forms of action must now be explored in practical detail, at the same time as the diplomacy continues in yet another international conference in London. From now on, western governments will have to consider force as an inescapable complement to diplomacy. It is time to weigh the scale and purpose of military intervention rather than to debate its need.

County Hall

IT IS difficult to conceive that the government could have worse handled the disposal of London's County Hall.

Through its quango, the London Residuary Body, it needlessly rushed into a pre-election deal with the Shirayama Corporation to convert the prime-site building into a luxury hotel. Then it spent more than three months dithering as to whether or not to allow the London School of Economics, which had been campaigning for the site for over a year, to submit a rival bid. Finally, at the end of July, it gave the LSE six working days to submit a fully-costed, unconditional bid for the site.

The government apparently intimated to the LSE that its bid should be a fair commercial proposition. Hence the LSE, which five months ago proposed to pay £20m, with a partner, for the hall and surrounding site, is now offering £65m on its own.

Hitherto the FT has supported the LSE's designs. County Hall is London's foremost vacant public building: it should be used to house one of its foremost public institutions, and none seemed – or seem – more appropriate than the LSE, Britain's leading social science university. However, it is not merely ridiculous, but positively dangerous, to require the LSE to behave like a commercial property developer. To raise the £130m-odd it now needs to buy and refurbish County Hall, the LSE is banking on an early, highly optimistic return from its current site, plus a huge overdraft and a doubling of postgraduate numbers in four years. Even if all goes according to plan – a big "if" – such rapid transformation could undermine the very reputation which justifies the move.

If the government believes the national interest is best served by relocating the LSE to County Hall, it ought to forget about a commercial return. If it continues to demand one, the LSE should think hard before gambling its future on a building.

It can be done

FIRST Angola, and now Mozambique, are within reach of lasting peace for the first time in three decades. The agreement in Rome last Friday to end the civil war in Mozambique suggests that patient mediation, honest brokers and international monitoring can end conflicts in southern Africa. If so, then there may be hope even for the Somalias of the continent. Of course, the causes of Africa's wars vary widely. In Mozambique, as in Angola, South Africa was critical to the peace process. Only when Pretoria ended its military support for the opposition movements Renamo and Unita was mediation possible.

But as in Angola – due to hold UN-monitored elections next month – a settlement in Mozambique was unattainable without outside help, given the enmity between the two sides and the need for third party monitoring of the proposed ceasefire. Hence the extraordinary guest list at the ceremony in Rome last week, when President Joaquim Chissano and Mr Afonso Dhlakama, leader of Renamo, committed themselves to cease hostilities by October 1 and to hold multi-party elections under UN-led international supervision in the presence of a range of intermediaries including Italian government officials, President Robert Mugabe of Zimbabwe and Mr "Tiny" Rowland, whose company, Lonrho, has business interests in Mozambique.

Even this remarkable combination might have failed were it not for the new realities to which Africa is adapting, and which helped create the blueprint for Mozambique's treaty. The era of the one-party state and the centrally controlled economy is over, as are the days when African governments and rebel movements could play on superpower rivalries. Economic policy, as nearly every African government has discovered, must win the approval of the IMF and the World Bank.

These realities will shape the terms of other peace initiatives in Africa. The task of intermediaries remains difficult, but southern Africa shows it can be done.

The end of the cold war has recast the foreign policy debate in this year's US presidential campaign, says **Jurek Martin**

New scripts for Bush and Clinton

Foreign policy has a way of inserting itself into presidential elections. The confrontation with Iraq and the tragedy in what was Yugoslavia may have been boiling for months, but neither had quite thrust themselves into the forefront of an election supposedly to be determined principally on domestic issues. Yet, when either George Bush or Bill Clinton wakes up on the morning of November 4, the loser may well find the names of both countries written in the political obituaries. This was not in the pre-ordained script.

In the good old days of the cold war, the playing of the foreign policy card in presidential elections was predictable. The Republican candidate would accuse his Democratic opponent of being soft on communism, weak on defence and, if pushed to the partisan extreme, would point out that US participation in this century's three big wars (two global and Vietnam) was initiated by Democratic presidents.

The Democrat would preach the virtues of an enlightened approach to the rest of the world, based on humanitarian values, shared international responsibilities and a leaner military establishment. Republicans used to hold the United Nations in contempt and the Democrats half-heartedly would extol it.

There have been variations on the basic theme, mostly from the Democrats. In 1960 John Kennedy sought to be "tougher" than Richard Nixon over Cuba and China, and in 1964 Lyndon Johnson got away with portraying Barry Goldwater as a nuclear adventurist (which was not difficult). Jimmy Carter's successful campaign of 1976 was probably the closest to the Democratic norm, but he was swamped four years later by his own Iranian albatross and by Ronald Reagan's equally classical Republican slogan of "peace through strength". This was enough to carry George Bush to victory in 1988 even though the "evil empire" had become quite emollient. It still features in his speeches today.

There are two quantum differences this year. First, the cold war is dead and buried alongside the corpse of the Soviet Union, presenting a different set of challenges to the presentation of foreign policy by the two candidates. Second, as recent events merely confirmed, Mr Clinton does not fit the Democratic type; indeed, he sometimes seems to have lifted a lot, with nuances, from the Republican handbook.

The Clinton logic is to accept that the cold war is over, not to quibble over why, but instead to try and solve new problems. Anthony Lake, his foreign policy adviser, says: "At a moment when history has turned, experience is not necessarily the first qualification." The Bush premise is to explain why it was won, his role in the victory and to argue that the experience gained is too invaluable to discard in still tricky times, exemplified by Iraq and Bosnia.

This could make for a fascinating general dialectic if the country was listening. As Mr Bush likes to point out with scorn, the Democratic nominee devoted precisely 143 words – or one minute – of his 54-minute acceptance speech to his convention to foreign policy. But Mr Clinton is probably closer to the public ear than is Mr Bush, insulated in the White House cocoon.

The president will make much of his Gulf war victory when he speaks to his convention in Houston next week and is wheeling out Mr Reagan for an opening night keynote address on foreign policy. But Mr Bush's own advisers concede that things have changed to the point that military involvement between now and election day, especially in a Balkan quagmire that few understand, might produce little political profit. That credit, the argument goes, was used up by the Gulf war and could only be restored by the removal, by whatever mysterious hand, of Saddam Hussein.

Still, Mr Bush would be politically dumb not to capitalise on the fact that only in foreign policy is he considered the more competent. If he can catch Mr Clinton with his formal inexperience showing, he might be on to something. Gerald Ford's silly mistake in the 1976 debate, when he asserted there was no Soviet military subjection of Poland, knocked his campaign off track for a fateful couple of weeks.

The problem is that many of Mr Clinton's positions differ little from his own. Mr Clinton has always supported financial aid to Russia, even when his party wanted it switched to US cities. He might be a little tougher on China, a little gentler on Israel and, again recently, a little bolder on Bosnia, but mostly he has supported whatever Mr Bush has said, including over the latest confrontation with Saddam Hussein.

More than this, as in domestic policy, the Clinton foreign team has been phenomenally quick with its responses, so that no allegation appears on the evening news without an appropriate answer. When accused by the White House of being "reckless" for advocating selective, UN-sanctioned bombing to relieve Sarajevo, there was Mr Clinton instantly citing an administration source (Dick Cheney, the secretary of defence, no less) for having said exactly the same thing. He now has Mr Bush himself to adduce in evidence. When charged with equivocal support for the Gulf war, the immediate counter was that Mr Bush's "coddling" of the Iraqi president in the 1980s had not done much good either.

This does make for entertaining verbal chess, demonstrating at least that Mr Clinton is no Michael Dukakis, who had no foreign policy at all. But it hardly amounts to the presentation of an alternative vision to set against the Bush record, and it does not take account of the advantages from foreign policy that any incumbent president can bring to bear on a domestic electorate. Some of them may be more apparent than real, but in Mr Bush's case this year these potentially include:

- The Middle East. The axiomatic Republican target is to get 30 per cent of the traditionally Democratic Jewish vote. Mr Clinton has been most solicitous towards Jewish constituencies, not least by keeping the Rev Jesse Jackson at arm's length, as well as by standing four-square behind Israel even when Yitzhak Shamir was prime minister.

But that still looks thin compared with some of the achievements of the Bush administration. Not for political nothing is Mr Yitzhak Rabin coming here this week, with peace talks resuming in Washington on August 24. It is likely that the Arab and Palestinian representatives would prefer a continuation of the Bush approach to the uncertainties of a new US administration.

- Eastern Europe. There are, according to the 1990 census, 9.4m Americans of Polish ancestry, 3.5m Czechs and Slovaks, 2.9m Russians, 1.6m Hungarians, 810,000 Lithuanians and 740,000 Ukrainians. Many are working-class Reagan Democrats and many approve of Mr Bush's role in facilitating the transition of their countries of origin to democracy. The Poles will take particular note of the endorsement Mr Bush received in Warsaw last month from President Lech Walesa.
- Hispanics. More than 17m Americans speak Spanish as a first language. The Cubans, concentrated in Florida, wholeheartedly approved of Mr Bush's refusal to shake hands with Fidel Castro in Rio in June. The US-Mexican business community supports the North American Free Trade Agreement, of which Mr Clinton is increasingly critical, and may be influential in getting out what is normally a low but Democratic-leaning Hispanic vote.
- Western Europe. Mr Bush may try to call in some Euro-chips. He virtually endorsed John Major before the UK elections, while previous German chancellors have publicly preferred a Republican. But no post-Thatcher European leader has much of a following in the US and Lady Thatcher's recent column in The New York Times on Bosnia was not complimentary to Mr Bush. Mr Clinton, neither an isolationist nor a protectionist, is also, for Europe, probably the least threatening Democratic candidate in years.

But the political calculations must also be placed in a broader context. Whatever Mr Bush and Mr Clinton say and hope, neither has succeeded yet in laying out what might be described as anything other than the chapter headings for their new world orders.

The sceptical foreign policy establishment view was very well put recently by Winston Lord, the former US ambassador to China and chairman of a recent commission sponsored by the Carnegie Endowment for International Peace to examine the US place in a changing world. "Leaders and aspiring leaders have taken two actions with respect to foreign policy – run away or run it down. We see no coherent vision at home or abroad to guide us towards the next century – *not* from the executive and not from Congress, not from the president and not from his opponents," he said.

Certainly neither talks much about the perennial issue of US military presence overseas, though both accept it will be cut, more deeply by Mr Clinton. Both support Nato as an article of faith, though they differ on the edges of its role, and neither has broached the balance of the security treaty with Japan. Mr Bush says Mr Clinton has already relegated the US to the status of a second-class power, but the president has himself disowned the Pentagon strategic blueprint which sought to preserve US military hegemony. Both support the UN, with Mr Clinton recommending that Japan and Germany be admitted to the Security Council.

Other foreign policy experts complain that the Republican administration after 12 years in power has finally run out of steam and ideas, as witnessed at the Munich summit and again by its recent hesitancy on both the Balkan and Iraqi counts. James Baker, the secretary of state, may be good at "fixing things" but he is presumably about to move back to manage the troubled re-election campaign, itself, as Mr Clinton points out, a reflection of Mr Bush's current priorities.

Mr Baker also has his critics. They cite his invisibility immediately after the Kuwait invasion and his long disinterest in Yugoslavia and in the Uruguay Round trade talks, in both cases only belatedly re-awakened. They point to a lack of US clarity towards the faltering process of European integration with the new democracies to its east. Mr Clinton sums it up by describing an administration which has become "rudderless and reactive".

Neither candidate disagrees with the general proposition that for the US to retain its pre-eminence, it must revitalise itself at home. But differences over how best to accomplish this brings the election debate full circle to where it started – with foreign policy on the margins and both candidates saying "trust me". The debate was certainly more distinct when the cold war was raging and, if push comes to shove in either the Balkans or Iraq, it may become more distinct again.

PERSONAL VIEW

Hard lessons of Somalia's suffering

By Julian Ozanne

The violence and famine unfolding in Somalia have left many people – both inside and outside the international relief agencies – shocked and shamed by their inability to prevent one of the world's most dire humanitarian disasters.

Few participants in the relief effort will emerge from the catastrophe with their reputations unscathed. Some courageous non-governmental organisations (NGOs) stand out for special praise, however. The Red Cross, Doctors Without Borders and SOS Kinderdorf have kept their flags flying in one of the most dangerous situations ever faced by aid workers. But the United Nations, the organisation which should have provided the lead, has failed to respond adequately to the crisis.

Citing issues of sovereignty and the great danger of operating in the country, the UN has dithered. Only in the last few months has a big humanitarian effort begun to take shape. With every day of delay, the task of recovery has become harder as Somalia slips further into anarchy.

Mr Mohamed Sahnoun, the UN special envoy to Somalia, summed it up last week in a remarkably candid and self-critical press conference in Nairobi. "If only we had intervened before November," he said. "Because of that delay, we now pay the price."

Belated efforts are now being made to tackle the humanitarian disaster, but in the meantime the lessons that have been learned in Somalia need to be put into action if further Somalias are to be averted in Africa. An early response to an unfolding disaster, better funding of NGOs and a re-examination of the concept of sovereignty are critical.

For Somalia itself, the international community urgently needs to make high-level assessment visits; provide the right type of food in bigger quantities; fund efforts to get supplies into the interior; begin creating self-sufficiency rather than food-aid dependency; and, for the long term, undertake a massive development aid programme.

For several years there has been a suggestion that a well-funded disaster relief office be set up at the UN. It should have the power to act swiftly and effectively without bureaucratic delay. The west should support such an initiative and provide it with ample resources.

The west should support an initiative to set up a central disaster relief office at the United Nations

Governments must also massively increase funds to the NGOs which often prove very effective at moving swiftly and reaching those most severely in need. Last week Mr Sahnoun paid tribute to the NGOs which remained in Somalia despite fears for the safety of aid workers.

The west must also stop dealing with local warlords who have no popular mandate as sovereign governments. For months protracted negotiations were undertaken between the UN and Somali warlords who control parts of the country. Thousands died during these diplomatic exchanges.

Gen Mohamed Farrar Aideed, one of those warlords, continues to oppose the UN sending in blue-berets to safeguard humanitarian personnel and operations which most aid workers believe are vital to prevent many more deaths. This type of obstruction must stop. The humanitarian imperative should take priority over such sovereignty issues.

There are many practical measures which the west could take immediately to help ease the suffering in Somalia. The first is to send a senior team of officials to see the situation for themselves. Last week's visit to Somalia by Mr Bernard Kouchner, the French health and humanitarian action minister, has done much to publicise the plight of Somalia and spur the world into action.

Experts working in Somalia say it is critical for governments to increase their food pledges. However, governments should be selective in their donations of food – sending wheat, maize, and sorghum while avoiding high-value commodities such as rice and vegetable oil, which often attract violence and looting. Whenever high-value commodities are distributed, such as a recent Saudi Arabian shipment of food packages, the death toll rises as gunmen battle to grab the valued goods.

In the short term, it is vital to get food distributed outside of Mogadishu to prevent starving people abandoning their homesteads and walking to the city in a desperate search for food. Ten of thousands of people have already flooded into the city and their presence has increased the violent squabbling over scarce resources. Getting food to the interior of the country would prevent Mogadishu swelling even further and thus would reduce the security problem.

Sending food is only a short-term measure

Widespread banditry currently rules out moving food by road, so a massive and costly airlift needs to be undertaken. The UN is presently studying the logistics of an airlift operation but so far the funding for it has not been pledged.

Sending in food alone, however, is merely a short-term measure. Food aid traditionally creates dependency. It takes people off the land and brings them to feeding centres, making them reliant of handouts. It is important from the very beginning that seeds and tools are distributed alongside food aid to make sure that next year Somalis will be able to feed themselves. Reviving the rural veterinary service, which is now non-existent, is also critical to the self-sufficiency of Somalis, because livestock will be the only significant export and source of revenue for the foreseeable future.

Finally, it is important to remember that much of the present crisis in Somalia is the result of dire poverty which reflects the lack of an effective western-funded development programme.

For years development resources were poured into ill-conceived projects in Mogadishu at the expense of the impoverished countryside. The disenfranchised rural population became intent on redistributing the centralised wealth of the country by force and settling old scores. When law and order breaks down, it is the fighting over scarce resources as much as any ideological or tribal rivalry that fuels the conflict. In Somalia, looting has become a means of wealth redistribution.

The west is going to have to aid Somalia massively for years to come. But more importantly it must put into place effective programmes which spread wealth equitably if poverty and the cycle of violence that it breeds are to be eradicated.

A sale that promises to pay on delivery

Roland Rudd looks at the options being considered by the government for privatisation of the Post Office

A "For Sale" notice has been hung outside Britain's Post Office. Mr Michael Heseltine, trade and industry secretary, wants to free the corporation from what he calls the "shackles" of public ownership.

So far, the government has not yet committed itself to privatisation. But for the first time is it willing to consider selling off Europe's most profitable nationalised postal service. The Post Office's record pre-tax profits of £247m for the year to March 29 included the loss-making Parcelforce, which is now to be sold as a separate unit. By deciding to shed Parcelforce the government has made the Post Office a more attractive proposition for investors.

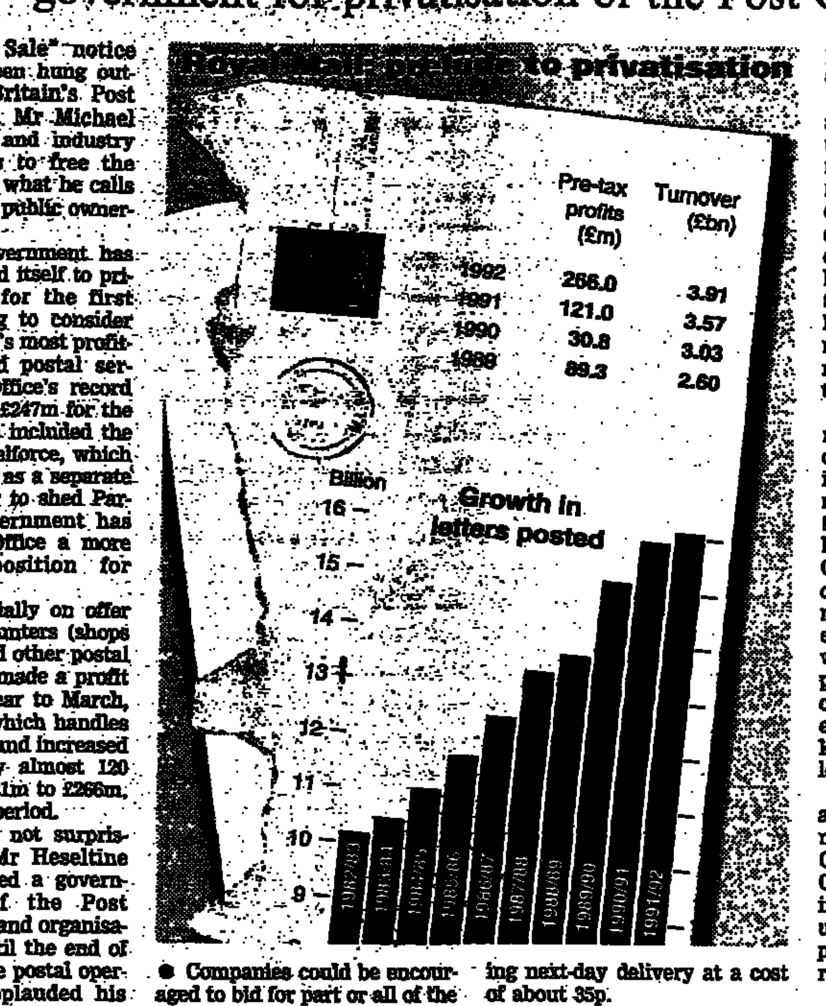
What is potentially on offer is Post Office Counters (shops selling stamps and other postal products), which made a profit of £26m in the year to March, and Royal Mail, which handles 61m letters a day and increased pre-tax profits by almost 120 per cent, from £121m to £266m, during the same period.

It is, therefore, not surprising that when Mr Heseltine recently announced a government review of the Post Office's structure and organisation – to run until the end of the year – private postal operators warmly applauded his decision, as a precursor to possible privatisation. The operators are now expected to submit proposals on how the Post Office could best be transferred from public to private ownership.

The government has said it is prepared to look at everything, including breaking the Post Office up or selling it off as a whole to a single buyer. However, the path it takes is likely to be dictated by the proposals submitted by the private sector. So far three options put forward by private operators and one from the corporation's own managers are under consideration:

● The splitting-up of mail collection and delivery. Securicor Omega, the biggest independent parcels business in the UK, has informed the government of its interest in collecting letters from post boxes and transporting them to Royal Mail offices for final delivery. Mr Pat Howes, chief executive, says: "We have the infrastructure to provide a significant service for the Royal Mail."

Other companies interested in sorting and transporting letters include Bridoc, the only company licensed to carry letters below the cost of the £1 Post Office monopoly on condition that it only handles business mail.



● Companies could be encouraged to bid for part or all of the Post Office.

TNT, the Australian-owned courier and parcels group, has long been interested in delivering letters in the UK if the government gave it the exclusive rights to compete with the Post Office.

The idea was rejected by Mr Nicholas Ridley when he was trade and industry secretary in 1988. But there are indications that TNT has changed its position slightly and may now be more optimistic about its chances: it may bid for, or take part in, a consortium wishing to buy all or part of a profitable letters monopoly. Mr Alan Jones, UK managing director of TNT, says: "We are keeping all our options open."

● A management buy-out. Sir Bryan Nicholson, chairman of the Post Office, is keen to win more commercial freedom. Free from government control, he would look at introducing a range of different services. He has already investigated the possibility of offering a premium letter service, guaranteeing next-day delivery at a cost of about 35p.

Sir Bryan will only say that any changes in the Post Office's structure and future must take the views of its staff on board. One Post Office executive says the corporation's directors have already started to work on plans for a management buy-out.

● Private postal operators could be licensed to compete with the Post Office in different regions of the UK.

Mr Michael Kane, managing director of Business Post, an express delivery service that operates throughout most of the UK, says he would like to opportunity to compete against the Post Office, which could remain a nationalised monopoly under this option.

However, since the Post Office is so big, Mr Kane suggests that private operators be given the exclusive right to offer the same service at the same price in different regions across the country. The Post Office would then face competition from a range of private operators. But no one private postal service would compete against another.

The striking feature is that the four options all envisage a regulated market with restrictions on the right to compete with the Post Office

The most striking feature about the four options is that they all envisage a regulated market with restrictions on the right to compete with the Post Office. From the point of view of the private postal operators, competition is only good if it is limited enough to enable them to make a healthy profit. Similarly, the Post Office management hopes to buy a letters monopoly if it should acquire the service.

The Post Office letters monopoly is at the heart of the debate – this is where its profits lie. TNT is unlikely to remain interested in privatisation if the Post Office loses its letters monopoly; Securicor Omega would like to do all the collecting and transporting of mail; Business Post wants the exclusive right to compete with the Post Office in a given part of the country; and the corporation's managers do not expect the threshold of their £1 letters monopoly to be reduced lower than 50p.

Yet Mr Heseltine has reiterated the government's commitment to the proposals in the Citizen's Charter on the Post Office, which suggested lowering the monopoly on letters under £1 to a level closer to the price of a first-class stamp, currently 24p.

This commitment poses a dilemma for the secretary. If he introduces unfettered competition, then it would be unlikely that the private sector operators would be interested in privatisation; if he keeps the monopoly more or less intact, then he would have broken a government pledge.

Mr Pat Lupo, chairman and chief executive of DHL, the international courier company based in Brussels, agrees that the Post Office only looks attractive to potential bidders because it is a nationalised monopoly. Apart from its letters monopoly, Mr Lupo says the Post Office benefits from other privileges inherent in being a nationalised company. He cites the example of Customs. Packages sent by nationalised postal offices throughout Europe are not subject to the same rules as the private operators, which are required to fill in longer custom forms.

"We would welcome the opportunity to compete on an equal basis," says Mr Lupo.

Mr Heseltine is no doubt aware that he has a difficult balancing act to perform. It may be possible to sell the Post Office and introduce some competition. But if he tilts too far in favour of competition he may find himself with a very short queue of buyers.

OBSERVER

An age old problem

■ Why is it that some big companies are so reluctant to publish the age of their directors and how long they have been on the board? Surely shareholders shouldn't have to turn up at the agm just to check whether their representatives are in their forties or their eighties.

Marks & Spencer, for example, is one blue-chip company, which maintains a discreet silence on the subject. No wonder its annual report doesn't win the same accolades as its merchandise. Lord Forte, an executive director and chairman of Britain's largest hotelier, is in his 84th year and has been a director for over 50 years, although you couldn't tell it from his company's annual report. Nor can you tell whether Forte's board is packed with young turks or elderly time servers.

By contrast, Land Securities, one of the few solid pillars in the property world, makes no secret of the fact that one of its directors, 78-year-old Richard Caine, has been on its board since 1948. Old men have their uses, and Land Secs deserves to be congratulated for its openness in reporting its affairs.

Meanwhile, Observer offers a bottle of finest malt to anyone (Forte directors excepted) who can prove that they are the longest-serving director of a FT-SE 100 company.

Singapore date

■ Recognition at last. Members of Singapore's state-sponsored dating agency, the Social Development Unit, were allowed to march in the country's national day parade yesterday.

The SDU, often ridiculed as a last resort for the Single, Desperate and Ugly, was set up in 1984 when then-Prime Minister Lee Kuan Yew expressed concern over the large number of single women graduates who were not getting married and producing bright children. The unit, which organises cruises and tea dances where graduates can get to know each other, now has 13,000 single graduate members compared with 1,000 when it started.

In 1984 only 704 Singapore graduate couples tied the knot. Last year there were 1,643. "The SDU has become an acceptable organisation while previously there was a stigma attached to it," says deputy director Susan Chua. It even sports a new nickname Single, Desirable and Unattached ...

No fishing

■ Senior executives at Companies House, the government's company information agency, were caught on the hop last Friday by a one-day strike in reaction to plans to shed up to 80 of the 1,150 staff.

During previous strikes, they have tried to keep operating normally using tactics such as cancelling all holiday leave. That might have helped this time except for one problem: the chief executive had already gone on holiday.

Bright light

■ Did you know that smoking one pack a day of Brazilian cigarettes provides the equivalent radiation dose to two chest X-rays?

The Physics Institute of São Paulo University has discovered that fertilisers used in the cultivation of Brazilian tobacco contain dangerously high levels of uranium. Some popular brands contain 11 times as much radioactivity as American cigarettes.

It gives a whole new meaning to the term "lighting up".

"He's taken steroids to watch the whole Olympics"

Oxford calling

■ John Flemming, the energetic chief economist of Jacques Attali's European Bank for Reconstruction and Development, is not the first officer to jump ship. But he is the most senior, and his planned return to a less turbulent academic life will leave a nasty hole at the top of the two-year-old institution.

Flemming's decision to join the EBRD less than two years ago did much to establish its credibility in the City. He had been number four in the Bank of England hierarchy and during his six years as chief economist had done much to increase the Bank's standing in the economics profession.

Admittedly, his departure from the EBRD is still some way off. But it sounds as if the 51-year-old economist is going to be the next warden of Wadham College, Oxford.

Statistician Sir Claus Moser, who has been warden since 1984, will reach the normal retirement age of 70 in a few months time, and a straw poll of dons has already decided in Flemming's favour. A formal election will take place during the coming academic year and Flemming could be in his new job by October 1993.

Flemming – one of the UK's brainiest economists – was an undergraduate at Trinity College, has studied and taught at Nuffield and Oriel, and still lives in Oxford.

Given that Wadham is not one of the richer Oxford colleges, Flemming is likely to spend a good deal of his time on the fund-raising for the college and free-lancing on his own account.

Taking flight

■ Some listeners to the test transmissions for Classic FM, the UK's first commercial classical music station, appear to have become hooked on birdsong.

They have begun writing to the station worried that they will no longer be able to hear nightingales singing in Berkeley Square, or anywhere else for that matter, after the September 7 launch. Inmates of Her Majesty's prisons, who spend a lot of time thinking about birds, have been requesting tapes and the news desk of the East End Independent newspaper in Glasgow plays it all the time to calm tattered nerves.

Chain reaction

■ It seems unfair that John Major should have attracted so much scorn for saying that he intends to make sterling the anchor of the ERM. An anchor is, after all, a device designed to be attached to the bottom.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Business rate fuels inflation

From Mr William Johnston.

Sir, Samuel Brittan (Economic Viewpoint, August 6) has missed a fundamental point in his discussion. Probably, of more concern to most retailers is the issue of the Uniform Business Rate (UBR) which will contribute more to inflationary pressures in the short term than the upwards-only rent review.

The tax has been particularly onerous to retailers who have suffered most due to the distortions created by an overdue revaluation which occurred in 1988. As a result, tenants are having to pay rates calculated on rental values close to the peak of the market. When the tax was introduced in 1990, in order to soften the blow, the increase in rates was restricted to a rise of 20 per cent per annum. Therefore, many occupiers are having to suffer an annual increase in their fixed costs due to the phasing-in of the tax.

In addition, every business occupier in the country - not only retailers – will suffer an annual increase in their rates bill geared to the rise in the rate in the pound multiplier which is indexed. There is no respite until 1995 when the next revaluation is instituted based on 1993 rents. However, all this will do is iron out additional regional distortions created by the property crash. The rate in the pound will still be indexed to the RPI and set annually.

At least those stuck with upward only rent reviews reviled in 1988 will be guaranteed that their next review in 1993 will not increase due to the collapse of the market. They will not have to consider a rental increase until at least 1998. In real terms rents will have fallen and many occupiers will be facing lease expiries allowing them to enter into more adaptable leases.

Therefore, I put it to you, which is more inflationary?

William Johnston,
Industrial Bank of Japan,
Bracken House,
One Friday Street,
London EC4V 9JA

German rivals would see ICI demerger argument as spurious

From Dr Razeen Sally.

Sir, Before we are carried away on the wings of City euphoria in the wake of the ICI announcement ("ICI sets out radical plan to split its operations", July 31), it may be instructive to compare ICI with the international chemical industry's pace-setters, Hoechst, Bayer and BASF. For them, the argument – used by Sir Denys Henderson, ICI's chairman, to justify the demerger – of having separate technologies catering for discrete, bounded product lines, is spurious. They are intent on reaping economies of scope (the diffusion of generic technologies, of management expertise and vocational skills, across broad product ranges and production processes). They also seek scale to leverage competitive advantage.

There is little evidence of their diversifying into unrelated product areas; rather they penetrate the spectrum of the chemical sector, with the crucial proviso that relevant organisational capabilities and massive financial resources be seen through to successful product commercialisation.

Also of prime importance to them is to build up long-term, stable and solid relationships with a range of "stakeholders", not only Mittelstand suppliers and clients, but also unions, works councils, chambers of commerce, universities, research institutes, industry associations and public authorities. Such links are a means of reducing "transaction costs" (to use the economic jargon) in creating and improving advantage, particularly in upgrading human capital within the firm and in diffusing technology. Hoechst, Bayer and BASF have organisational capacities and financial resources to add value across the span of the chemical sector, and they are embedded as science-based manufacturing firms in the conducive environment of Germany's social market economy.

ICI's financial weakness has led it to a strategic change of direction that is heavily reliant on short-term, reductionist financial criteria. Given its current competitive problems, the decision taken may well be the least-worst option available to it for the longer term.

Finally, one has to bear in mind the external constraints of this policy choice: shareholder pressure and a British home base that leaves much to be desired for technology-driven large industrial firms.

Razeen Sally,
research associate,
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77305 Fontainebleau Cedex,
France

Employers cannot make law on disabled work

From Mr R Gilbert.

Sir, Your report ("Most employers found to flout disabled quotas law", August 3) misses the point. Employers cannot make this law work. The quota system is unsatisfactory and there is no obvious way of making it effective, as the Department of Employment's 1990 Consultative Document "Employment and Training for People with Disabilities" clearly stated.

According to a study by Social and Community Planning Research carried out for the government in 1990, if all people with disabilities in work were registered, the likelihood is that the 3 per cent quota level would be exceeded. But there is no compulsion to register and many people with disabilities object strongly to such categorisation.

People with disabilities can be exceptionally valuable employees. More employers need to be aware of what they can offer and how they can be developed – many managers, for example, remain unaware of their generally favourable sickness records.

For that reason the CBI has urged the government to replace the outmoded and inoperable quota system with a strengthened and improved code of good practice and to create a more effective framework of encouragement, training and support. Until such a change in policy is effected, studies will inevitably show the quota system failing to work.

R Gilbert,
director,
Employment Affairs Directorate,
CBI,
Centre Point,
103 New Oxford Street,
London WC1A 1DU

Economic cure

From W B Fox.

Sir, The learned treatise by the pharmacist Mr Barry Riley (The Long View: "Secrets of the drug culture", August 1) concerning the various drugs which have been used to treat the long-term illness of Mr Brit Economy was very interesting.

However, having been intimately acquainted with this sick gentleman for 80 years it is obvious that to avoid terminal decline, it is essential now to administer large doses of *pragmaticol* and *comonsenserin.*

W B Fox,
1 Bradley Park Road,
St Marychurch, Torquay

Investments in energy

From Mr David Ross.

Sir, David Porter (Letters, August 5) and I J Blakey (Letters, August 7), from both sides of the energy argument appear to be overlooking the fact that the £1.26bn subsidy paid to Nuclear Electric is intended to outlast the needs of the nuclear industry. It is part of the Non-Fossil Fuels Obligation, introduced to subsidise energy sources other than coal and oil to maintain diversity.

If we are to move away from the burning of pollutants such as gas, coal, oil and orimulsion, we shall have to invest in building the structures, such as wave and offshore wind power stations along with tidal barrages, that will ensure all our energy futures. That must mean a continued payment of at least 11 per cent of electricity bills until the capital investment has been amortised.

It may be some consolation to recognise that without diversity we would be dependent on world prices of finite fuels which are bound to increase as demand grows, resources diminish and a captive market competes for supplies.

As to nuclear power, the French have shown that even with extensive development and serial production, it needs continued government subsidy.

David Ross,
55 Ruskin Park House,
Champion Hill,
London SE5 8TQ

Who will pay for education?

From Mr Nigel de Gruchy.

Sir, One of the many questions not even raised in the recent Government White Paper on the future of the education service, "Choice and Diversity", is the relationship of the council tax to expenditure on education. The government clearly envisages the eventual demise of local education authorities. The Funding Agency for Schools will largely take over the LEA function.

Who will then be responsible for raising the council tax to finance its part of the education service?

Nigel de Gruchy,
general secretary,
NASUWT,
5 King Street, London WC2

Abbey National house sales plan has flawed basis, ignores realities and is likely to fuel inflation

From Mr Philip Bedos.

Sir, Abbey National's proposal to revive the housing market ("House sales boost urged as prices fall further", August 4) is flawed in terms of cost and of long-term economic prudence.

The current housing malaise is caused by deep-rooted problems within the UK economy – exacerbated by excessive borrowings to finance home purchases in the 1980s. It will not be solved by implementing short-term palliatives.

The scheme is flawed because:

● Insisting that home-owners reinvest their tax credit in property is unlikely materially to reduce the level of debt in each household and therefore unlikely to improve confidence and consumer spending;

● Even if all 375,000 home-owners with "negative equity" were to use the scheme it is doubtful that it would stimulate the housing market sufficiently to offset the dampening effect caused by record repossessions;

● It is manifestly unfair that particular individuals, no matter how distressed, should enjoy a free option funded by the taxpayer;

● The recession may finally persuade the public that home ownership is not a one-way bet and act as a brake preventing the speculation of the 1980s. Hopefully this would persuade individuals to release savings for productive investment;

● As Lex (August 4) rightly contends, effectively underwriting loans would improve the quality of the lender's assets, but it would also improve the credit-worthiness of those lenders. This would allow these lenders to raise capital more cheaply than they might otherwise deserve to the detriment of other issuers. Surely this government would not wish to be a party to such a distortion in the markets?

Philip Bedos,
57 Woodhall Lane,
Welwyn Garden City
Herts AL7 3TG

From Mr Andrew Shenton.

Sir, Has Abbey National lost sight of the fact that houses are for living in? The days of houses simply being profit centres are gone. If the British consumer now wishes to live in his/her home for a period of years rather than months, then that is for the better.

During the late 1980s we endured the peaking of a speculative bubble that had been gradually inflating since the early 1970s. Unfortunately some lenders, when given a free reign, have run riot and the 1990s will be a sombre consequence of this.

The government does not ask for taxes on the profits made on residential property; is it fair, therefore, to seek credits when those profits are not realised.

Andrew Shenton,
Roman Financial Facilities,
Roman House,
3, Swan Street,
Wilmslow,
Cheshire SK9 1HH

From Mr Jeremy Kilner.

Sir, Houses are a commodity, with several hundred thousand a year being either built or coming on to the market as a result of the death of the owner.

Until this fact is realised and house prices drop to a point that reflects the cost of building without any allowance for the site cost, then the house market will continue to stagnate.

The site value is limited to any alternative use – which in the case of farming would represent less than £100 per plot.

Jeremy Kilner,
Choppards Mill,
Holmfirth,
Huddersfield HD7 1RW

From Mr Michael L Byrne.

Sir, Surely what is required by the housing market is not an incentive to sell to obtain tax relief as proposed by Abbey National but an incentive to buy in the form of the reintroduction of higher rate relief for mortgage interest and the raising of the £30,000 Miras cap on standard rate tax relief.

It is the buyer who requires financial assistance over the term of the mortgage to encourage him to take on additional borrowings, particularly at a time of high real rates of interest.

Michael L Byrne,
Michael L Byrne & Co,
chartered accountants,
162 Bebington Road,
Bebington, Wirral,
Merseyside L63 7NX

From Mr Mark Antrobus.

Sir, Abbey National's proposal to revive the UK housing market would encourage a further cycle of house price inflation, as seen in the mid- and late-1980s. This is irresponsible.

To prevent the misery and costs of repossessions is another matter, which would be best served by the introduction of a means-tested housing benefit for owner-occupiers. It should be available for a limited period of, say, five years (with a less generous scheme available thereafter) and be financed in total or in part by the phasing-out of mortgage interest tax relief – in conjunction with falling interest rates, I would hope.

Mark Antrobus,
2 Vinson House,
Cherbury Street,
London N1 6TS

From Mr Terry Blocksidge.

Sir, Abbey is getting into bad habits by wishing to throw money at the housing problem. The housing market's overriding problem is oversupply. Homes are no different from any other abundant commodity in experiencing a price fall. Sideline the incidental problems; the basic cause of the malaise is too many vendors chasing too few buyers.

A remedy is to regulate supply. Since this will not happen naturally, a capital gains tax on all homes sold within the first five years of occupation would produce this effect. Exceptions could be made to cover essential sales caused by job relocation, down-sizing on retirement or redundancy, and for moves to cover the expansion of a family by birth or by accommodating an elderly or dependant relative.

Terry Blocksidge,
"Ashburn",
26 Morefields,
Tring,
Hertfordshire HP23 5EU

From Mr Steven Rowe.

Sir, Compared with West Germany, France, the US and Switzerland, the UK has an unhealthy proportion of properties in owner occupation. In the last 20 years, the government's stance on home ownership – not to mention its attempt to turn Britain into a nation of speculators in stocks and shares – has been responsible for helping fuel inflation and encouraging a something-for-nothing mentality.

Although it is difficult to see an easy short-term answer to the problems in the housing market, a healthy private rented sector is clearly vital to the long-term financial health of the UK.

Via the business Expansion Scheme, the government has addressed the supply side of the problem by giving generous tax incentives to encourage private landlords. But there has been little positive action to try and make long-term renting more socially acceptable and via "right to buy" and "rent to mortgage schemes", the government still encourages the damaging Thatcherite ethos of home ownership for all – at all costs.

Encouraging more people to become capitalists may be a sound ideological concept for a Conservative government – but the long-term effect of this policy can only be the erosion of the work ethic. A nation of Sids may look good on the drawing board – but I have my doubts about what it will do for the balance of payments.

Steven Rowe,
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FINANCIAL TIMES
Monday August 10 1992

Violence tops agenda in S Africa

Michael Holman and Philip Gawith assess the ANC's week of protest

SOUTH AFRICA'S week of protest came to a subdued conclusion over the weekend, overtaken by the prospect of a United Nations observer mission to the country and a call for a thorough investigation into the security forces.

The disclosure that Mr Nelson Mandela, leader of the African National Congress, spoke to President F.W. de Klerk by telephone on Friday - the first direct communication between the two men for weeks - fuelled speculation that an early resumption of the stalled constitutional negotiations was likely.

Whether the week of protest played a significant part in bringing the two parties together is debatable. An ANC official said yesterday that the two-day general strike on Monday and Tuesday and marches during the rest of the week had strengthened the ANC's hand.

But if the objective was to force Mr de Klerk to concede to the early implementation of measures leading to majority rule, there is little evidence of success. Government ministers continue to talk in terms of power sharing - a concept which envisages guaranteed minority representation at all levels of government.

In the meantime, the need to curb political violence remains a critical issue. The judge leading South Africa's official inquiry into township killings has called for a full-scale investigation of the country's security forces and the military wings of political organisations.

In a weekend statement, Mr Justice Goldstone urged the government to act on recommendations made by Mr Boutros Boutros Ghali, UN secretary-general, in his report to the Security Council on Friday. Mr Boutros Ghali proposed that about 30 UN observers be stationed in South Africa to help curb political violence.

For some years, Justice Goldstone said, "there had been widespread and serious allegations" about the unlawful activities of the South African army and police, as well as the guerrilla wing of the ANC and the police force of the KwaZulu homeland.

Piecemeal investigations will do no more than "scratch the surface of the widespread perceptions which make all of these agencies the object of mistrust, distrust and suspicion".

Turning specifically to the South African Defence Force and police force, the judge said that, unless they were "fully investigated by a neutral and reliable body, they will have no prospect of receiving the trust, confidence and co-operation of the South African public".

The police investigation of the Boipatong massacre in June was criticised last month by a British criminal expert attached to the Goldstone commission. This was followed by allegations from a prominent pathologist that police brutality had been responsible for scores of the deaths in custody that he had investigated.

The judge also noted that the continued existence of the ANC's guerrilla wing had been a cause of complaint, especially from Chief Mangosuthu Buthelezi's Inkatha Freedom party.

At the same time, commented the judge, the activities of the KwaZulu police force had come under question. "It is widely perceived to be a force acting as the arm of the IFP."

In short, he concluded: "The commission believes that, if it is not able to investigate fully the operations of these agencies, it will not be able to carry out its mandate of making recommendations for curbing the violence."

The judge also raised the possibility of offering an amnesty to members of organisations allegedly involved in violence, saying this "would make the work of the commission more efficient and searching".

The grudging response of the police to criticism of their Boipatong investigation, and the truculent conduct of SADF counsel at the Goldstone commission, suggests that both parties remain reluctant to open their activities to detailed scrutiny.

Indeed, observers believe that without amnesty provisions, their co-operation will be difficult to obtain.

As for Mr Boutros Ghali's recommendation that UN observers should be sent to South Africa, Mr de Klerk has already made clear that he supports such a proposal in principle.

Share frenzy: Chinese police armed with cattle prods and batons were called in at the weekend to maintain order in Shenzhen, the country's main economic zone, as hundreds of thousands of investors flocked to apply for the right to buy shares on the city's infant stock exchange. At least one person was killed in the crush. Details, Page 4

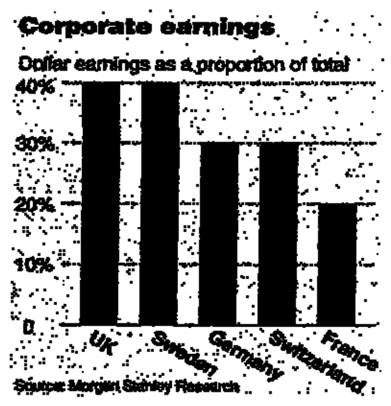
THE LEX COLUMN

Loss in translation

The weak dollar has added an unwelcome element of uncertainty to the already shaky earnings outlook for UK companies. Real earnings growth looks elusive on cyclical grounds, but the latest batch of profit downgrades from brokers also contains a currency component. Dollar profits will suffer on translation into sterling. This will act as a brake on earnings in the second half of the year and possibly beyond.

UK companies are more exposed than their continental European rivals. As the chart shows, some 40 per cent of UK quoted company earnings are, in one way or another, dependent on the US currency. Sales in the US market account for about 25 per cent of total profits reported by UK quoted companies. The balance is made up of profits from commodities priced in dollars and earnings in currencies which are closely linked to the dollar. Compared with last year, the translation impact of the weak dollar is not yet severe. Even if the dollar remains at around $1.90 against sterling, the average rate for the year as a whole is unlikely to be far from that of 1991. Until recently, however, the market was anticipating a currency benefit. This has now been stripped out.

Among the bears, Morgan Stanley does not anticipate a dollar recovery until the second half of next year. On this basis alone it has trimmed its UK earnings growth forecast from 17 per cent to 13.5 per cent for 1993. The select group of UK companies which hedge translation exposures, such as TI Group and BOC, aim to iron out these fluctuations in earnings. But this brings no discernible lasting benefit to their share prices. Indeed, it is questionable whether a company should hedge a pure accounting phenomenon by taking a view on exchange rates. Investors might prefer to take the view themselves.



US economy

The latest US unemployment figures leave the Federal Reserve in a cleft stick. The economy is growing, which in the UK would be enough to raise a statue to the chancellor, but the recovery is still very weak. US growth may be around 2 per cent this year, and a little more next year. That is not enough to stop unemployment rising, exacerbating the Fed's political difficulties with the administration.

Mr Alan Greenspan, the Fed chairman, thus has a difficult decision to make. At the risk of frightening the bond market, he could cut short term interest rates once more, hoping to spark consumer confidence. Alternatively, he could hold off, gambling that the Fed's tough anti-inflationary attitude will help long yields fall, stimulating the housing market. Ideally, he would wait for a clearer picture, but once the presidential election campaign formally starts in September, interest rate cuts would look partisan.

By selling dollars heavily on Friday, the foreign exchanges took the view that an early rate cut was possible. The Fed intervened to stem the fall, but more significant is the way Mr Greenspan has dragged his heels over previous rate cuts. At this stage, falling long term interest are more important for the recovery in the economy. The Fed will not let haste threaten that prize.

Gilts

Long gilt yields scarcely flinched after the Bank of England announced on Friday that it had scheduled an auction of long-dated stock later this month. That suggests there is still enough demand from domestic institutions to absorb the £2bn to £3bn in stock which will be on offer. But the Bank also has little choice. It cannot afford to disrupt its funding programme so it must simply assume enough domestic demand to satisfy its needs. Exchange rate worries mean gilts are receiving little support from overseas at present: witness the softness of prices in the 10-year range normally favoured by foreign buyers.

Sooner or later, however, the government will need the help of foreign investors too. While equities remain weak, it may be natural for UK institutions to put new cash into gilts, especially if they believe inflation will eventually fall to almost nothing. Investing at the long-end not only fits with their liability schedules. It is also the point on the maturity spectrum best insulated from the turmoil that would follow any increase in base rates to protect sterling.

Yet these same investors also have to consider that, despite the market's frenzied optimism in the immediate aftermath of the election, the total return on gilts bought at the April auction has barely exceeded that on cash. Doubtless they would be quick to redirect their attention to equities at the first sign of real life in that market. The hope must be that the same factor which eventually revives shares will also rekindle the enthusiasm of foreign investors for gilts. A devaluation will hardly fit the bill. Doubts on that score are liable to remain until after next month's French referendum on the Maastricht treaty. The Bank must be hoping they do not get strong enough to discourage domestic investors as well.

German banks

It is tempting to see the 3.2 per cent fall in Deutsche Bank's first-half operating profits as the harbinger of disappointments to come in German banking generally. The figure contrasts, for example, with a 17.5 per cent increase in Commerzbank's interim profit and even higher growth rates at the Bavarian banks. Yet while Deutsche's results do bear the hallmarks of a slowing economy, there also appear to be special factors at work. The bank is paying the price for expanding into eastern Germany where its new customers are becoming more sophisticated about wanting higher-yield accounts. This partly explains the squeeze on interest margins.

Come the end of the year, the difference with the other banks may be less striking. Most German banks are suffering some pressure on their funding costs from the inverted yield curve. First-half operating results are no guide to the impact of economic slowdown on loan loss provisions. German bank accounting in this regard is notoriously opaque, but, if the bad debts really do start mounting, Deutsche could end up with two advantages. First it almost certainly has a large surplus of developing country debt provisions. Second it has at least already begun to scale back its domestic lending, placing more funds in the interbank market, even at the expense of compressing its interest income.

Games success

Continued from Page 1

achieved success. Of the 64 nations to win medals in Barcelona, the three Baltic states, Croatia and Slovenia have all scored victories.

Winning opportunities for smaller countries have improved with the demise of big players such as East Germany (112 medals in Seoul), Romania (down seven medals) and Bulgaria (down 20). The Unified Team won the most medals, but some 20 fewer than last time.

The triumphs of fledgling nations has overshadowed the bickering between the Catalan government, the socialist Madrid government and Barcelona City Council over who paid what for the Games. About $10bn was spent on revitalising Barcelona for these two weeks and ticket sales have been so high the organisers are predicting a $6m profit.

Needless to say, there will be a price for all the energy spent. Economic growth in Catalonia, like the rest of Spain, is slowing sharply. The entire country knows that the next two years are going to demand great sacrifices as Madrid struggles to keep growth above 2 per cent and curb its runaway public deficits.

Although Spain will bask in the afterglow of the Olympiad for some time, the end of the 1992 Games marks the end of Spain's honeymoon as a democracy and as an economic sprinter.

UK paper recycling measures undermined by cheap imports

By John Thornhill

THE UK's capacity to recycle waste paper is being severely eroded by German environmental initiatives, making it unlikely that the industry will ever meet targets laid down by the British government, according to senior industry figures.

A glut of cheap recycled cardboard boxes from Germany, stemming from its massive national recycling initiative, has undercut UK prices by as much as 15 per cent, rendering many recycling initiatives unprofitable and leading to the collapse of several waste-collection companies.

Recycling rates for paper in the UK are dropping from a high last year of 34 per cent. This year, recycling capacity for corrugated board has been cut by 157,000 tonnes, 10 per cent of the sector's total.

The newsprint sector has also come under pressure as a result of cheap Canadian imports. Overall, the UK recycles 3m tonnes of waste paper a year.

The British Paper and Board Industry Federation said: "The increase in consumption of waste paper has been at a lower rate than the overall increase in paper and board consumption in the first two quarters of 1992.

This is the first time that such a trend has occurred for many, many years. It is an alarming statistic."

Mr Peter Williams, chief executive of David S Smith, the UK's biggest waste paper collector and recycler, said the situation in the paper packaging sector had now reached "crisis proportions".

In the absence of government intervention, he suggested the UK paper industry would never achieve the recycling targets laid out in the UK's 1990 environment policy paper, let alone those proposed in the European Commission directive on packaging waste, which was released last month.

This stipulated that 60 per cent of every class of packaging material should be recycled within 10 years of the directive's implementation.

The UK government is currently studying a consultant's report into the most effective means of applying economic incentives to stimulate greater rates of recycling.

But, unless such measures are introduced quickly, the paper industry fears it will become increasingly difficult to recover ground lost to other European countries, which have moved much faster and further in introducing environmental legislation.

West split over intervention in Bosnia

Continued from Page 1

particularly from Governor Bill Clinton, his Democrat presidential opponent, that he was reacting too cautiously in the face of a human tragedy.

"If informing the American people step-by-step is not good enough, well, I'm guilty," said Mr Bush. "I'm getting sniped at politically, but I will not make one decision based on American politics."

With the television networks, however, constantly replaying film of the emaciated residents of Serbian detention camps - evocations of the Holocaust in the Second World War - and the weight of opinion in yesterday's newspapers coming down in favour of US action, Mr Bush is in increasing danger of looking as inept internationally as his opponents claim that he is domestically.

A public opinion poll published by Newsweek showed that 53 per cent of Americans would favour a US lead in seeking the use of UN-backed air strikes against Serbian positions.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	23	73	Frankfurt	S	35	95	Majorca	S	33	91	Oporto	F	20	68	Tenerife	F	24	75
				Brussels	S	27	81	Geneva	S	31	88	Malaga	S	29	84	Oslo	S	15	59	Tokyo	F	30	86
				Budapest	S	34	93	Gibraltar	S	28	82	Malta	S	31	88	Paris	S	25	77	Toronto †	C	18	64
Ajaccio	S	37	99	Buenos Aires	F	13	55	Glasgow	R	13	55	Manila	C	29	84	Prague	S	33	91	Tunis	S	34	93
Algiers	S	32	90	Cairo	S	35	95	Helsinki	S	20	68	Melbourne	F	12	54	Reykjavik	F	12	54	Valencia	S	29	84
Amsterdam	S	28	82	Cape Town	S	14	57	Hong Kong		-	-	Mexico City	C	24	75	Rhodes	S	29	84	Venice	S	31	88
Athens	S	34	93	Caracas	C	29	84	Innsbruck	S	33	91	Miami †	S	28	82	Rio de Janeiro	C	33	92	Vienna	S	33	97
Bahrain	S	39	102	Casablanca †	F	23	73	Inverness	R	13	55	Milan	S	31	88	Rome	S	33	91	Warsaw	S	35	95
Bangkok	F	34	93	Chicago †	S	21	70	Islamabad	F	29	84	Montreal †	C	18	64	Salzburg	S	33	91	Washington †	F	23	73
Barcelona	F	26	79	Cologne	S	31	88	Istanbul	S	31	88	Moscow	S	22	72	S'Francisco †	S	14	57	Zurich	S	31	88
Beijing	S	28	82	Copenhagen	S	26	79	Jakarta	F	33	91	Munich	S	34	93	Seoul	F	29	84	Temperatures at midday yesterday			
Beirut	S	29	84	Corfu	S	35	95	Johannesburg	S	10	50	Nairobi	F	24	75	Singapore	R	26	79				
Belfast	F	15	59	Dallas †	S	26	79	Lisbon	S	23	73	Naples	F	33	91	Stockholm	F	21	70	† Noon GMT temperatures			
Belgrade	S	35	95	Dublin	C	17	63	London	C	23	73	Nassau	C	33	91	Strasbourg	S	33	91	C - Cloudy Dr - Drizzle			
Berlin	S	35	95	Dubrovnik		-	-	Los Angeles †	C	20	68	New Delhi	F	28	82	Sydney	S	15	59	F - Fair Fg - Fog H - Hail			
Biarritz	C	19	66	Edinburgh	R	12	54	Luxembourg	S	29	84	New York †	C	23	73	Taipei	F	34	93	R - Rain S - Sunny			
Bombay	F	30	86	Faro	S	25	77	Madeira	S	22	72	Nice	S	31	88	Tangier	S	24	75	Sl - Sleet Sn - Snow			
Bordeaux	R	16	61	Florence	S	36	97	Madrid	F	22	72	Nicosia	S	33	91	Tel Aviv	S	32	90	T - Thunder			

FINANCIAL TIMES
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INSIDE

Canadian crew fear proposed merger

Canadian Airlines' crew would rather see their employer fall into the arms of a US company than another Canadian one. They fear the proposed merger with rival Air Canada, after the aborted deal with American Airlines, will mean thousands of redundancies as the combined airline elimates overlapping coats. Page 16

Odd man out

Mr Robert Rubin, co-chairman of Goldman, Sachs, the US investment bank, is a rare phenomenon on Wall Street – an industry leader who is also a lifelong supporter of the Democratic party. Martin Dickson reports. Page 30

Forte reviews its board

Forte, the UK hotels and restaurant group, said it was reviewing its board, which is still chaired by the group's octogenarian founder Lord Forte. The changes being considered are understood to include the possibility of Lord Forte becoming president while his son Rocco, who runs the business as chief executive, would then either become chairman or the role would be made non-executive. Page 16

Bond dealers seek agreement

The Ecu bond market lost its status as a government bond market after the Danes rejected Maastricht on June 2. After weeks of price declines and evaporating liquidity, the market recovered 1½ points last week. Although conditions have stabilised, marketmakers are meeting tonight to find a consensus on trading practices. Page 17

Markets await Amato move

Mr Giuliano Amato, Italy's premier, must convince the markets that he has the nerve and political backing to take on Italy's debt burden and win. Page 18

Relief at bank statement

The Bank of England's announcement last week that it is to hold a gilts auction on August 26 was in line with the bank's unofficial schedule of an auction every two months. However, it also ended recent speculation that it may abandon the full fund rule as a means of easing monetary conditions. Page 18

Market Statistics

Companies in this issue

Stock exchange to relax rules on flotations

By Maggie Urry in London

THE stock exchange in London is relaxing its rules on flotations following the series of poorly-received public offers this summer.

Corporate financiers are being told that the exchange's rules for obtaining listings will be interpreted flexibly in the light of current market circumstances.

The exchange is understood to be concerned by the lack of demand from the public for flotations such as MFI Furniture Group, The Telegraph, Taunton Cider and Anglian Group. In each case most of the shares offered to the public were left with underwriters.

New issues usually attract large numbers of private investors and shares are many times over-subscribed. This has led to sharp rises in the share price of the company when trading started.

The exchange is also thought to be worried by the effect the low level of demand for flotations has on the after-market. An offer is usually only considered a success if the shares start trading at a premium to their offer price.

The exchange's rules state that new applicants for a listing involving the sale of shares worth more than £30m ($57m) must make a public offer. However, the exchange allows issuers to place up to half the shares with institutions on a firm basis.

It has shown a willingness to go beyond that for large issues. In MFI's case, for example, three-quarters of the shares were placed in firm hands with only a quarter offered to the public.

Now the exchange has said "it has no objection to firm placing of up to 100 per cent of a marketing subject to there being sufficient clawback arrangements to satisfy public demand".

This would mean that a company's banks and brokers could place all of a share offer with institutions, as long as there were provisions for shares to be taken back from these buyers if members of the public applied for shares.

However, institutions do not like such open-ended arrangements, fearing that if an issue is a success they will lose a lot of shares to the public and will be left with shares in less attractive issues.

Awaiting Sid's return, Page 16

London's role in forex threatened

By James Blitz, Economics Staff

LONDON'S position as the foreign exchange capital of the world is under threat because of the changing nature of foreign currency trading in Europe, according to a report by Greenwich Associates, an influential US think tank.

The report says the volume of cross-border currency trading in Europe has doubled in the last two years with an increasing focus on bilateral currency trading between individual European countries.

The researchers also discovered a growing debate over whether Europe should have a single centre for foreign exchange or several centres, in which London would be a first among equals.

The report says cross-border trading has developed as protectionist barriers have fallen in the EC. Companies are trading more actively in the D-Mark/peseta cross, for example, because the amount of bilateral trade between Spain and Germany creates large currency flows.

But there is also growing unease in Europe about London's role as foreign exchange centre.

European corporate treasurers were concerned at the handling of the default of some local authorities on their swap obligations; the BCCI affair; and the number of large corporations running into financial difficulties.

The study also discovered that UK companies are far more conservative than their European counterparts in the use of currency hedging techniques for profit. Of the UK corporate treasurers that were interviewed for the report, only 6 per cent said that they actively use risk management products such as swaps and options, compared with 22 per cent of European treasurers.

Big Boom in Cross-Border Trading, Greenwich Associates, 8 Greenwich Office Park, Greenwich Connecticut 06831-5195

Kenneth Gooding talks to Marc Rich about departures at the trading group

A definition of Richness

The departure of three very senior executives at the Marc Rich international trading organisation has prompted talk about a power struggle at the very top.

Those who recently decided to quit one of the world's biggest oil traders and almost certainly the biggest metals and minerals trader, include:

- Mr Willy Strothotte, 47, widely perceived as the right-hand man and heir of Mr Marc Rich, chairman;
- Mr Claud Dauphin, head of the Rich organisation's oil trading operations, probably the biggest part of the business;
- Mr Manny Weiss, 40, managing director of Rich's London office and its formidable aluminium trading boss.

These departures raise questions about whether the organisation, renowned for its aggressive approach to trading, might change its direction. Also, because trading relies so heavily on personal contacts and mutual trust, just how serious a blow is the removal of three main members from its corporate line-up?

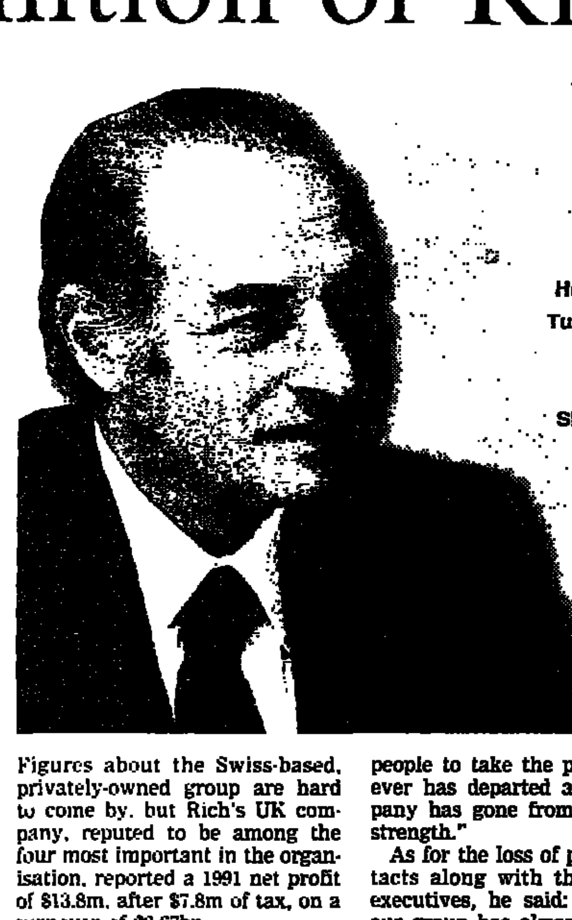
Some observers also wonder if the upheaval was caused by a big deal or deals going badly wrong, a common occurrence in the world of commodity trading.

Mr Rich dismissed the idea of financial problems. He said the organisation had "an annual turnover of $30bn [£15.7bn] and a net worth in excess of $1bn – and this after the departure over the last years of a number of senior people, even very senior people and founding partners.

"We reinvest profits and do not pay dividends so we have a capital base which is quite a bit higher than necessary for a trading business today. By reinvesting our profits we have had funds available to participate in certain industrial projects that support our trading business."

He says Rich's profitability remains strong. "We do not publish our figures since we are a private company, but our profit in the last years has been good and this year, in spite of the more difficult economic climate, our results are good. We may make an occasional reserve, but our actual trading profit is very good. In general, we find our oil, metals and minerals and grain business growing and we hope that will continue."

Marc Rich was not a speculative organisation, he insisted. "If our business was based on speculation we could take a hotel room with a few telephones and we would not need a worldwide organisation with 40 offices and 1,300 people in contact with consumers and producers and doing physical business every day."



Marc Rich's empire

Headquarters:	Zug, Switzerland
Turnover 1991:	$30bn
Net worth:	$1bn
Employees	1,300
Shareholders:	200
Activities:	- world's largest metals and minerals trader - one of world's largest oil traders - sixth largest aluminium producer
Main trading centres:	Stamford, Connecticut Tokyo London Zug Rotterdam Madrid

Figures about the Swiss-based, privately-owned group are hard to come by, but Rich's UK company, reputed to be among the four most important in the organisation, reported a 1991 net profit of $13.8m, after $7.8m of tax, on a turnover of $2.67bn.

Mr Rich has built up his group since 1974 after leaving Philipp Brothers, a large commodity trader, because of a dispute about his annual bonus. Today the Rich organisation is second only to Cargill, the US group, among the world's diversified trading houses. The group trades about 1.5m barrels a day of crude oil and petroleum products and about 2.5m tonnes of aluminium a year.

> *"I guess I am a business machine, yet I have been doing this for 40 years. I believe I have the knack for it."*
>
> **Marc Rich, chairman**

Mr Rich's partner until recently was Mr Pincus "Pinky" Green who left Philipp Brothers at the same time for the same reason. Mr Green and two more of Mr Rich's close colleagues – Mr Alex Hackel and Mr Felix Posen – retired recently. Now three of the people who stepped into these gaps have also gone.

Mr Rich saw no cause for concern.

"If one looks back at the history of our company, many people in very senior positions, partners and so on, have left. But, because from the very start we followed a policy of taking on young people and training them, there has always been a supply of people to take the place of whoever has departed and the company has gone from strength to strength."

As for the loss of personal contacts along with the departing executives, he said: "In general our group has always worked in teams and therefore personal contacts which individuals have are generally shared with others in their group. This gives us greater strength. In other words, we feel a customer is best served if he has contact not only with one executive but with two or three. In this way the customer gets the benefit of different views. We try to do a good job for our customers and suppliers and also for our people."

Mr Rich went on to describe his own management approach: "I have always worked as a member of a team and I like to delegate but, at the same time, on major decisions and special [financial] exposures, I have the final say."

There has been speculation among Rich's staff that Mr Strothotte, a German who had been with the group 15 years, left after losing a battle with Mr Rich for control of the group. Discussing the departures, Mr Rich said Mr Strothotte left "because of difference in management approach with me. It was because of a philosophical difference in management and nothing else."

Mr Dauphin left to take over the family business in France after the death of his father. Mr Weiss, he pointed out, "for some time has talked about spending more time with his family, doing charitable work and studies".

That will not stop rival traders guessing about the the "philosophical disagreement" with Mr Strothotte or Mr Weiss's departure. Some suggest there might have been problems with the group's aluminium trade with Russia – it sends in alumina, the raw material, and takes out primary metal. Others point to the year-long dispute at Ravenswood Aluminium in the US where Mr Strothotte was president. This resulted in a United Steelworkers Union of America campaign which concentrated on the fact that Mr Rich faced tax evasion and other charges in the US dating back to 1984. That successful campaign had embarrassing international consequences for the Rich organisation. Mr Rich said: "We did not like the strike which we ended earlier this year. The last thing in the world which our company wants is to be involved in labour disputes."

Mr Rich is known for his relentless drive and calculating mind. "I guess I am a business machine, yet I have been doing this for 40 years. I believe I have the knack for it."

Yet he is now 58 and surely thinking about retirement. Not so.

"When my original partners retired two years ago the thought went through my mind should I retire as well. But it did not take me long to decide that I love the business and this is what I want to continue to do."

No need to rush through Ecu timetable

Economics Notebook

By Peter Norman

Democracies are notoriously bad at making long-term plans.

So it is not surprising that between the Danish "no" vote in June and the French referendum on September 20, few policymakers seem to be thinking hard about more distant issues relating to European economic and monetary union.

Admittedly, the Maastricht Treaty is heavy going. But while last week's opinion polls in France showed a slip in support for Maastricht, the odds must still be in favour of a French "yes" vote.

In these circumstances, European finance ministries and central banks should be thinking hard about the many difficult issues still to be solved along the route to a single European Currency Unit and central bank. And arguably, no nation should be giving more thought to the minutiae of Emu than Britain.

The Maastricht Treaty determined that the Ecu should be the eventual European currency but left much else unclear about the final shape of Emu and about how much responsibility for managing it will be left to the individual European Community states.

Since Maastricht, much attention has focused on the need for governments to agree a home for the proposed European Central Bank and its forerunner, the European Monetary Institute. As the EMI is due to start preparing the community for Emu from 1994, the timetable is looking tight. The showdown on this issue is due at the next European summit in Edinburgh in December.

But there are other big problems. The contours of Europe's future monetary policy are still unclear, including the amount of responsibility to be left to national central banks under the principle of subsidiarity, which calls for decisions to be taken at the lowest possible level of government.

These questions at least are being considered by experts reporting to the EC's committee of central bank governors. The governors have also asked a committee to start considering the potentially emotive issue of the design of future EC-wide bank notes.

Other matters concerning the Ecu seem to be in limbo.

- EC states will have to agree on names for the 10th or 100th parts of the Ecu, a matter ignored in the Maastricht Treaty.
- Computers and accounting systems will need to be adapted to Ecu.
- Each EC country will need a full legislative framework defining the Ecu and making it legal tender.

A recent report from the Association for the Monetary Union of Europe and Barclays Bank gives an idea of what the change to the Ecu could entail for companies. "Thinking and planning for the single currency needs to start now," it said.

No wonder. The report urged each company to set up an internal working group to address the change. Such groups, reporting to the main board, should include people involved in "purchasing, marketing, pricing and sales; borrowing, investing, lending, treasury management, accounting; contracts and legal affairs and information systems". Banks would have to review the impact of Emu on matters ranging from foreign exchange, capital markets to automatic cash dispensers. Retailers would have to examine stock management and point of sales systems.

While the treaty envisages 1997 as the earliest deadline for monetary union, 1999 appears a more likely date. But 1999 is not so far away in view of the complex problems to be solved. British decimalisation, a relatively easy affair, took five years' planning. Some officials believe it could take 10 years to complete the technical work to implement Emu. Even then, there would be no guarantee that abandonment of national currencies such as the D-Mark or sterling in favour of the Ecu would be politically acceptable to the peoples of Europe.

These factors are prompting some monetary officials to question the present plans for stage three of Emu, which envisage irrevocably locking parities and then moving as quickly as possible to the Ecu as the EC's single currency. Instead, they believe that the community should not rush to leave stage "3A" in which a European system of central banks would operate a single monetary policy but retain national currencies at permanently fixed exchange rates.

One obvious loss from not moving to a single currency would be the continued need for travellers to change bank notes at national frontiers. But truely fixed parities would reduce transaction costs to a minimum. Most travellers would pay costs abroad with credit or cash cards. Big businesses could behave as if the Ecu were already the European currency.

The big advantage of an extended stage 3A would be political. EC countries could wait for companies to adapt and popular support to grow in favour of the Ecu and so avoid the tensions and backlashes – possibly amounting to the rejection of governments by their electorates – that imposing a strange, unfamiliar money might produce if the D-Mark, sterling or French franc were to be removed overnight.

For Mr John Major such an approach would have the attraction of taking on some of the spirit of the UK government's earlier evolutionary approach to Emu which he espoused when chancellor.

But an extended stage 3A would have to be negotiated. The EC Commission and the "Club Med" nations led by Italy and France could be expected to oppose the idea.

A useful start for Britain would be to recognise that the battle to base the EMI and the ECB is London is lost and that the bank will go to Bonn just as soon as the German government decides to drop its formal support for Frankfurt.

If Mr Major is really serious about placing Britain at the "heart of Europe" he could then start pressing for an extended stage 3A in an economic and monetary union that would stand a better chance of gaining support in the Tory Party and parliament.

O&Y's banks may seize US property cashflow

By Bernard Simon in Toronto

A BANKING group led by JP Morgan and Bank of Montreal has threatened legal action to seize the cashflow from six Olympia & York office buildings in New York and Los Angeles amid signs of mounting creditor impatience with the troubled Canadian property developer. The buildings, which include two towers of the World Financial Centre, were pledged as collateral for a $160m loan provided by the group to O&Y.

O&Y's operations in Canada and the UK have been under bankruptcy protection since May, but the company has so far kept creditors of its US buildings at bay. Lenders have been dissuaded from legal action fearing that they stand to lose more through bankruptcy proceedings than an orderly debt restructuring.

The JP Morgan-led move is seen, however, as the most serious threat so far. The dispute stems from a decision by O&Y earlier this year to pledge a portion of the World Financial Centre's cashflow to Japanese institutional lenders in return for an agreement to defer interest payments on their $800m loan.

The JP Morgan group has been pressing O&Y to make principal payments on its loan, or to segregate cashflow from the six buildings in bank accounts supervised by the lenders. O&Y remains confident it can restructure the debt of its US operations without seeking court protection.

Forte's review likely to include board reshuffle

By Jane Fuller

FORTE, the hotels and restaurant group whose shares have recently been under pressure in the stock market, is reviewing the make-up of its board, including the position of its octogenarian chairman Lord Forte.

Although the City has been concerned about the poor performance of the hotel business during the recession and the failure to sell the contract catering arm, it is understood that the review stems from the group's efforts to refocus its activities and the age profile of the directors.

Options include the possible elevation of Lord Forte to the position of president, a post now held by former chairman Lord Thorneycroft. Lord Forte's son Rocco, who runs the business as chief executive, would then either become chairman or the role would be made non-executive.

If he complies with the trend towards separating the roles of chairman and chief executive, a new number two position of chief operating officer may be created. Mr Alan Hearn, managing director of the hotels division, is one of the potential internal candidates.

The management review, which also penetrates below board level to tackle such questions as whether each division needs its own headquarters, coincides with Forte's effort to focus on hotels, restaurants and continental expansion. It also fits in with measures to reduce gearing and cut costs.

The downgrading of profit forecasts and the diminishing of the group's previously high stock market rating have sent the share price to less than 140p, compared with a 12-month high of 262p.

One of the themes of the review would be to replace the old guard with new blood, particularly at the non-executive level. The current four include Mr Eric Hartwell and Mr Donald Durban, both of whom are retired executives of the group whose careers with Forte go back to the late 1930s.

Sir Charles Hardie, deputy chairman, has been a director since 1970, and the latest addition on the non-executive side is Sir David McNee, who has served nine years.

Among the 10 executive directors, a couple of approaching retirements and the proposed sale of the Gardner Merchant contract catering business will offer scope for streamlining the structure under Rocco. One possible new appointment might be Mr Tony Monnickendam, head of the restaurant division.

Pressure grows over NY Daily News future

By Nikki Tait in New York

THE future of the New York Daily News, the cash-strapped tabloid newspaper, could become clearer this week as the intricate negotiations over its future ownership come to a head.

Last week, the judge overseeing the paper's bankruptcy proceedings, set a deadline of August 17 as the time by which the paper must submit a reorganisation plan. In reality, however, this means there is intense pressure on management and unions to select one of three suitors in the next few days and move to close a deal next week.

Over the weekend, there were unconfirmed reports that the bidders were asked to have final offers on the table by this afternoon, an extension from Saturday night. The bidders include Mr Mortimer Zuckerman, owner of US News and World Report magazine, Mr Conrad Black, publisher of the Daily Telegraph in London, and a so-called "stand-alone" plan under which Silver Screen, a group of film financiers would join forces with the management.

The Daily News filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code in November, following the sudden death of Mr Robert Maxwell, the British publisher and its owner.

Awaiting Sid's return to market

Maggie Urry on the argument for flexibility in the listing rules

It has been a dismal summer for companies seeking a stock exchange listing. Many of those that have come have seen their hopes of a good price and a well-received issue dashed, while some planned for the autumn have already been postponed.

The blame has been laid on the lack of interest from private investors – collectively known as "Sid" ever since the British Gas privatisation marketing campaign in 1986.

Once a regular feature of new issues, the small investor who "stagged" issues, applying in the hope of making a quick profit, appears to have gone.

Has Sid vanished for ever or is he simply avoiding new issues because of the gloomy stock market background?

If Sid has gone for good then the exchange might as well change the rules for new issues so that they can be sold directly to the final holders. But it would be politically difficult for the exchange to abandon the private investor given the Government's policy of widening share ownership.

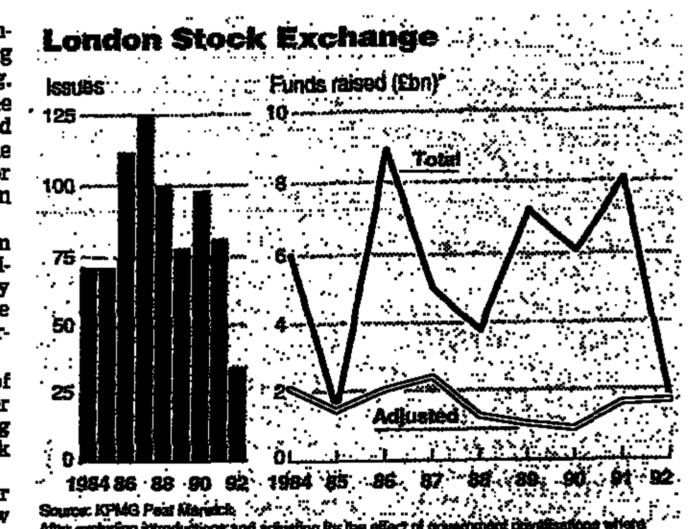
Ironically the privatisation programme, which was used to promote share ownership through low pricing and incentives to buy shares, is partly blamed for Sid's lack of interest in recent issues.

"Privatisations have spoiled the public," says one broker. While a quick profit was built into privatisation issues, other companies are trying to price their shares to match demand so that there is not too much for the stags to go for.

This summer many issues have been labelled flops, as large proportions of shares aimed at the public were left with underwriters. Meanwhile, shares were placed with institutions, apparently without too much difficulty although not always at the price the sellers would have liked.

A director of one of the leading issuing banks says:"In the old days the excitement of the stags helped the selling exercise. Now the tail is wagging the dog. You have to price an issue so it is not a total flop with the public, though the institutions might pay more."

Arguably, if a company obtains a listing, sells shares and raises capital, a flotation ought to be called a success. But the ingredients of a successful issue should also include a share register with a high proportion of long-term holders and a share price which does not slump below the issue price in the immediate after-market.



Source: KPMG Peat Marwick
*After excluding introductions and adjusting for the effect of government privatisations where funds of over £1bn were raised (British Gas, BT, BSC, TSB, Rolls Royce, BAA and the water and electricity privatisations, and the exceptional Abbey National flotation)

Many bankers and brokers involved in recent issues believe they would have more nearly achieved these goals if they had not been required under the exchange's listing rules to make offers to the public.

Without the requirement for a public offer, the whole process of an issue could be speeded up, cutting out the market risk and allowing much finer pricing. Says one broker involved in some of this summer's deals:"In an ideal world we would book-build on Monday, price on Tuesday and start dealings on Thursday."

This would be closer to the US system where pricing is conducted after the close of business one day and the shares are all sold before trading opens the next. Buyers having been lined up in advance.

Mr David Barclay, of County NatWest, which sponsored MFI Furniture Group's flotation, says that the best way of selling shares is by directing them towards the pockets of demand. Trying to force shares on unwilling buyers will not work, he claims.

At present, the exchange's starting point is that half the shares being sold in an issue of over £30m must be offered to the public. This looks high against the latest estimate of private ownership of shares of about 19 per cent, a figure falling by 1 percentage point a year despite the Government's efforts.

One broker prominent in the new issue market says:"If the exchange insisted on 50 per cent now it would stop some companies from coming to the market."

The exchange itself has recognised the problem by indicating that it will take a more flexible attitude when applying rules for listings.

Advisers to MFI asked to reduce the public offer on the basis that demand was weak. The exchange agreed that it could be limited to 25 per cent, although MFI's advisers argued for an even lower limit.

In the end the public applied for only 15 per cent of the 137m shares available through that offer, although sub-underwriters applied for another 29 per cent. Although labelled a flop the shares went to a premium in first day dealings.

The exchange is now suggesting that in certain circumstances it would countenance a placing of an entire issue, so long as the public could subscribe to shares clawed back from the placees.

Institutions which underwrite issues are not keen on the idea. They would lose their sub-underwriting commissions – 1¼ per cent – but risk having the shares taken from them by private investors if the issue looked attractive. A limit would have to be set on the amount available under the clawback or they would not take the placing at all.

Corporate financiers also fear that an issue would still be called a flop if the clawback was not fully triggered. It might, however, help the aftermarket by removing the perception that there was an overhang of underwritten stock.

An alternative they put forward is the so-called "green shoe" option which has been developed in the US. Under this the entire issue is sold, but the company can increase the offer size if extra demand comes in. This requires the company, or its existing shareholders, having flexibility over the number of shares they wish to sell.

Another idea is to approach Sid in a different way. In public offers investors apply for shares "off the page" – by clipping application forms from newspapers or copies of the prospectus.

Issuers are now experimenting with offers through financial intermediaries, although this met with little success in the MFI float. Under this arrangement firms such as regional stockbrokers, or possibly banks and building societies, sell shares to clients, taking a commission for doing so.

This would be a step towards US style offers where shares are only sold through such intermediaries. The drawback is that to give the brokers the incentive to sell US commissions are much higher than those in the UK.

US brokers have built extensive distribution networks on the back of these commissions, but in the UK this channel would only reach relatively high net worth individuals – Sydney not Sid.

Perhaps Sid will reappear when the market recovers. But if not, and while the market background is dull, companies may be better served if flotations are targetted at buyers more likely to pay up for the shares than at Sid.

Smith New Court survey shows enthusiasm remains for bonds

By Vanessa Houlder

INVESTMENT managers remain more enthusiastic about bonds than equities, according to a survey by Gallup, the research group for Smith New Court, the broker.

The survey of 97 institutions, which manage funds worth £547bn, found that confidence in most equity markets' prospects over the coming year has slackened.

Fund managers are also cautious about the short-term prospects for equities, with the exception of the UK market.

On balance, fund managers intend to reduce their exposure to US equities and increase their weightings of UK, other European and Japanese shares, although their enthusiasm for UK and other European equities has fallen.

Investors' enthusiasm for bonds is particularly directed towards overseas markets. UK gilts generally remain in favour, but support for index-linked gilts has waned.

The institutions are cautious about the UK economy's prospects of recovery in 1993. Almost one in five managers expect no improvement in the economic conditions by this time next year, and one in ten expect economic conditions to worsen.

Investors have downgraded their expectations of earnings per share growth to 5 per cent in 1992 and 9 per cent in 1993.

They expect base rates to fall by only 1 per cent to 9 per cent and gilt yields to 8.7 per cent in 12 months time.

However, investors' expectations about inflation have improved. Their forecast of 3.1 per cent growth in the retail price index in 1993, compares with 3.5 per cent in the last survey in July.

The survey found that support for the UK's membership of the Exchange Rate Mechanism has not changed over the last 18 months, with 72 per cent of respondents in favour and 22 per cent against.

Citicorp seeks $650m via sale of Percs

By Nikki Tait

CITICORP, the largest US commercial bank, is planning to raise $650m of new capital via the sale of preferred equity redemption cumulative stock (Percs).

Percs are a form of quasi-equity devised by Morgan Stanley, and offer a higher yield to investors than ordinary shares.

They gained popularity last year, with previous issuers including the likes of K mart, Sears, Roebuck and General Motors.

Under the terms of the Citicorp stock sale, which will take the form of a public offering of 32.5m depositary shares, buyers of the Percs will receive a dividend on their stock for up to three years.

At this point, each share of preferred stock would convert into one Citicorp common share.

Citicorp would have the option of converting the preferred stock to common shares at an earlier date, and the terms of the conversion could vary depending on the price of the bank's common shares.

Aberfoyle into administration

Aberfoyle Holdings, the agriculture and security products group, is being placed into administration and had its shares suspended at 2½p last Friday.

The majority of operations are in Zimbabwe. The company said its financial position had "deteriorated to the point where it had insufficient sterling funds to enable it to continue to trade".

Last November a group of dissident shareholders won control of the board, and promised to put the company back on its feet.

But Mr Kojo Owusu-Nyantekyi, one of the dissidents and now a member of the board, and whose private company Crescent Africa holds a 26 per cent stake said at the week-end: "This was all foreseen last year. The cost cutting exercise was not enough. I am very disappointed".

Ewart launches attack on challenger's motives

By Jane Fuller

THE BOARD of Ewart, the Belfast-based property company where the largest shareholder has challenged the position of four directors, yesterday accused it of trying to gain effective control without making an offer.

The shareholder is Monarch Properties, a private Dublin-based property concern owning 29.2 per cent of Ewart.

It has requisitioned an egm for September 4 in Belfast seeking the removal of four Ewart directors and the appointment of two of its nominees.

Mr Philip Monahan, who heads Monarch and is already on Ewart's board, would become its deputy chairman if the changes went ahead.

In rejecting the proposals, Mr Derek Tughan, chairman of Ewart, alleged that Monarch was heavily borrowed, had a high-risk strategy and would try to push its assets into Ewart.

According to Mr Tughan, past attempts to get Ewart to buy Monarch assets included a stud farm near Mr Monahan's residence.

Mr Monahan also wrote to Ewart shareholders at the weekend. He said the company was misguided "to eschew all involvement in Southern Ireland".

He also strongly defended Monarch's record – stressing the avoidance of speculative development – and described its financial position as robust. He said Monarch had no plans to switch assets between the two companies, but this would not be ruled out. Any such moves would have to comply with the takeover code and stock exchange rules.

Elkem cuts losses at midway

By Karen Fossli in Oslo

ELKEM, the troubled Norwegian light metals producer, has reduced first-half pre-tax losses, before extraordinary items, to NKr189m ($32.4m), down from NKr195m a year earlier.

It also announced the sale of its Elkem Eiendom property business, for NKr222.5m cash to Gjelsten & Roekke Eiendom, an Oslo property developer.

Elkem said the disposal of the subsidiary with properties valued at NKr400m would produce a net gain of NKr50m in the third quarter.

The sale, together with the recent disposal of a 50 per cent stake in Elkem-Rockwool will reduce group debt of NKr6.36bn by between NKr500m and NKr600m.

However, group first-half pre-tax losses increased to NKr189m from NKr16m. Elkem said that last year's figure included a NKr179m gain from the disposal of Alcoa Nederland, in which it held 50 per cent.

Elkem, nevertheless, reversed last year's first-half operating losses of NKr44m to operating profits of NKr30m.

Group sales dipped 2 per cent to NKr3.818bn from NKr3.897bn and operating costs were reduced by 4.5 per cent to NKr3.590bn from NKr3.747bn.

Elkem saw a big improvement in the second quarter, achieving operating profits of NKr37m, a turnround from losses of NKr7m in the first quarter and losses of NKr20m in last year's second quarter.

Kemper Corp has troubled second quarter

By Barbara Durr in Chicago

KEMPER Corporation, the large Chicago-based insurance and financial services group, continued to be battered by investment losses in property and junk bonds during the second quarter.

For the three months to June, it recorded net losses of $10m, or 20 cents per share, compared with net profits of $53.1m, or $1.10 per share, a year earlier.

The results for the second quarter included after-tax investment losses of $30.8m, or 63 cents per share, compared with after-tax investment gains of $800,000, or 2 cents.

The company also took an after-tax charge of $14.8m for provisions against losses on property.

Adding to the company's woes, Kemper Securities, its securities brokerage, had to take $13.2m out of operating earnings for an after-tax increase in its legal reserves.

While Mr David Mathias, Kemper Corp's chairman, said margins in the group's life insurance business improved over the first quarter, life insurance recorded net losses of $11.5m down from net profits of $3.5m.

Airline workers in a spin over merger

Bernard Simon looks at the proposed link between two troubled Canadian carriers

It takes a lot for unionised workers in Canada to admit that they would rather see their employer fall into the arms of a US company than another Canadian one. But the crew on a Canadian Airlines International flight from Vancouver to Toronto last week had no doubt that they would have preferred the deal which their carrier had just aborted with American Airlines than the merger which it is negotiating with its arch-rival, Air Canada.

"It's just terrible," was the comment of one stewardess. The crew on that flight are not alone in fearing that the proposed merger of Canada's two main airlines will exact a high price. For the two carriers' entire 35,000-strong workforce, thousands of lay-offs are almost certain as a single airline moves to eliminate overlap and chop operating costs.

Boeings belonging to Canadian Airlines at Pearson Airport, Toronto

Consumer groups are worried that a single national airline – which has been nicknamed Mapleflot – will result in stiffer fares and slacker service. Even shopkeepers at the country's main airports are nervous that fewer flights through fewer terminals could mean less business for them.

The proposed merger, which in practice is likely to amount to a takeover by Air Canada, shows signs of inflaming ever-smouldering regional jealousies between western Canada and Quebec. Residents of Calgary, where PWA Corp, Canadian Airlines' parent company, has its head office, fret that their city will end up having to make a much bigger sacrifice in jobs than Montreal, Air Canada's home town. With such a variety of constituencies involved, the merger of two of the country's best-known businesses is turning into a highly charged political issue for prime minister Mr Brian Mulroney's government.

Mr Jean Corbeil, the transport minister, blithely insisted earlier this week that Ottawa would not interfere in the negotiations. But whatever deal is struck will need to be approved by regulatory agencies, and the government is likely to end up taking much of the credit or blame for its consequences.

The government nudged PWA into Air Canada's embrace last month when it refused to provide the financial backing which the Calgary company claimed that it needed to consumate the deal with American Airlines, or to continue flying on its own. The requests ranged from lower fuel taxes, a perennial complaint of Canadian carriers, to loan guarantees.

It has been obvious since the recession started that Air Canada and Canadian Airlines could not survive in their present form. Although both have valuable domestic and international routes, neither is big enough to compete against the emerging behemoths of world aviation.

Their costs, especially Air Canada's, are well above those of US airlines. Between the two of them, they ran up combined losses of C$618m (US$523.7m) in the 15 months to March 31 1992. PWA hoped to fly out of the clouds by forging an alliance with American Airlines. The US airline would have acquired a 25 per cent equity stake and, equally important, would have shared many of its facilities and funnelled Canadian's passengers into its US routes.

Air Canada strenuously objected to its rival's strategy on the grounds that it would open the door of the domestic airline industry to a powerful, and unstoppable, US carrier.

The Montreal-based airline vowed to do everything possible to block the Canadian-American link, even though it was having talks with US Air of Pittsburgh. (US Air last month agreed to a far more ambitious partnership with British Airways, which includes BA taking a 44 per cent shareholding.) Having failed to cement their proposed alliances with US carriers, both Air Canada and PWA are under the gun to cut a deal with each other. Canadian is losing an estimated C$800,000 a day; at Air Canada, the losses are piling up at C$1.8m a day.

"There's only so long you can continue sustaining this kind of loss," says Mr Jack Lawless, PWA's chief spokesman. Air Canada, which was privatised at C$12 a share three years ago, was trading at C$5 on the Toronto Stock Exchange this week. PWA's share price has sunk in less than a year from almost C$7 to C$2.60.

Analysts are advising investors to give both companies a wide berth for the time being. One reason is that the creation of Mapleflot will almost certainly not mark the end of the restructuring of the Canadian airline industry.

Public opinion is expected to force the government to hold the new monopoly in check either by re-regulating the industry or encouraging the emergence of new competitors. The latter could include allowing foreigners to take a bigger stake than the current 25 per cent limit in smaller charter or regional airlines.

Airline experts are virtually unanimous that the new national carrier will prosper only by participating in either a North American or international partnership. It would be a rich irony if the new airline, born of Air Canada's and PWA's frustrated deals with US carriers, finds itself falling into the lap of one of them.

S&P downgrades debt rating of S-E Banken

By Robert Taylor in Stockholm

STANDARD & Poor's (S&P), the US credit rating agency, has downgraded the long-term debt of Skandinaviska-Enskilda Banken (S-E Banken), Sweden's leading private commercial bank, to A plus from AA minus. This is the second time in less than four months that S-E Banken's debt has been downgraded.

S&P said the decision reflected the continuing deterioration of SEB's asset quality, together with the increased pressure on earnings caused by the rapid build-up of non-performing loans, especially in the sharply declining Swedish real estate sector.

The "large build-up of non-performing loans and renegotiated loans" meant "a more rapid decline of the bank's underlying core profitability than was anticipated". S&P also pointed out that the bank's "historically strong level of core earnings" had come "under considerable pressure" and this had reduced its ability to absorb higher credit losses.

S&P had placed the bank on credit watch on June 23.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Axa (France)	Sime Shield (Singapore)/ Sime East West (Malaysia)	Insurance	£17m	Axa increasing Asian investment
Playmates (Hong Kong)	Ideal Loisirs (France)	Toys	£15.7m	European push
Bain Clarkson (UK)	Cecar (France)	Insurance broking	£15.2m	Inchcape arm takes 25%
Simon Engineering (UK)	Unit of Utility Equipment (US)	Access equipment	£7.8m	Continues sector consolidation
Sanyo Electric (Japan) /Nissho Iwai (Japan)/ Dalian Refrigeration (China)	Dalian Sanyo Refrigeration (JV)	Air conditioning	£5.8m	55-5-40 split
Ste de Fabrication d'Instruments de Mesure (France)	Sopelem (France/UK)	Electro-optics	£4.1m	Alvis sells its 34%
THK (Japan)	PGM Ballscrews (UK)	Machine tool components	£3.6m	Ireland's Silvermines selling
Cornwell Parker (UK)	Fardis (France)	Furnishing fabrics	£2.75m	Strategic European expansion
Union des Assurances de Paris (France)	CAP (Chile)	Insurance	n/a	Part of cross shareholding deal
Siemens (Germany)/ International consortium	Units of GTE (US)	Lighting	£575m	Non-core disposal

Source: FT Mergers + Acquisitions International

INTERNATIONAL BONDS

Ecu dealers seek agreement on trading practices

THE DOOM and gloom which had descended on the Ecu bond market, after weeks of price declines and evaporating liquidity, was partially lifted last week, as the market staged a 1¼ point recovery.

However, traders are still adjusting to a new environment, following Denmark's rejection of the Maastricht treaty on June 2, which signalled the loss of the Ecu bond market's status as a government bond market. The 44 marketmakers in Ecu bonds recognised by the International Securities Market Association are meeting tonight in an effort to find a consensus on trading practices.

Although market conditions have stabilised since marketmakers suspended trading for a day two weeks ago, the impressive liquidity once boasted by the Ecu bond market has not returned.

It is "clearly functioning as a market again", said Mr David Ovenden, Ecu product manager at J.P. Morgan, who chairs ISMA's Ecu sub-committee. "But we need to work out what [bid/offer] spreads to trade on in the next few months."

In the wake of the suspension of marketmaking, forced by chaotic selling, marketmakers widened the spread between bid (buy) and offer (sell) prices to 20 basis points for the most liquid issues. Last week, the spread was successfully cut to 10 basis points. However, some deals (by the European Investment Bank and Italy) were removed from the list of most liquid benchmarks and the 15 basis point spread set for the next tier of bonds was not adhered to systematically.

"We have to strike a balance between the aggressive risk-takers and those who would prefer to see wider spreads," Mr Ovenden said. "But we have to be mindful of the technical realities – that is, the underlying business flows," when setting spreads, he added. The fact is that in spite of the market's return from the brink, most analysts remain sceptical about the extent of buying by end-investors. Short positions in specific issues, or systematic support by sponsors of the market may account for at least part of the recovery, traders reckon.

Indeed, many traders say that the former liquidity of the market – equal to some European government bond markets – was never justified by investor demand, but was artificially generated by the bullish stance of banks and securities houses, keen to establish a foothold in the European bond market of the future. Then, strategic motivation outweighed costs; now that the future of European monetary union is less than assured, banks' willingness to commit resources to the market is on the wane.

Marketmakers have decided to find out what proportion of trading volume is generated by inter-professional dealing, by monitoring figures provided by Trax, ISMA's trade-matching system. By comparing these figures with the volume recorded by Euroclear and Cedel, the market's clearing houses, the ratio between investor-driven and inter-dealer business can be established. Many traders expect it will show the sector is still overbroked.

Today's meeting could also herald the departure of at least a couple of firms from the throng of 44 marketmakers (Crédit Suisse Luxembourg has already thrown in the towel). At least half the number of nominal marketmakers were not performing their intended function, according to dealers, with accusations of "not picking up phones" still rife.

In spite of the decline in liquidity, the market is still more liquid than any other sector of the Eurobond market, including the Eurodollar bond market.

There are other positive signs. As the market rallied last week, the spread between Ecu bonds and the theoretical yield curve (based on the yields of the Ecu's component currencies) narrowed to about 15 basis points. Prior to the Danish referendum, Ecu bond yields were substantially lower than the theoretical yield curve, but during the panic selling of recent weeks, the pick-up of Ecu bonds over the theoretical curve rose to 35 basis points.

Long-dated Ecu bonds – 15-year, 20-year and 30-year bonds – which substantially underperformed the rest of the market on the way down, also picked up lost ground last week. Dealers said that very long-dated Ecu bonds had undoubtedly been oversold, amid speculation that some might not be repaid.

It is hard to fathom how strong support for the market is at current levels. (The 10-year OAT is yielding about 9.4 per cent, compared with 9.65 per cent a week ago.)

Last week's rally was generated by a more buoyant mood in other European markets. In particular, the agreement on wages in Italy and two French opinion polls predicting majority votes for Maastricht in the September referendum.

Neither piece of news marks a change of outlook for the Ecu market. Any potential setback, such as a rate hike by the Bundesbank, could generate an exaggerated response in the Ecu market.

● The Matif has increased the daily price fluctuation limit on its Ecu bond future contract from 150 basis points to 250 basis points, to take account of the market's increasing volatility. The exchange has increased the initial margin requirement from Ecu1,500 to Ecu3,000. The margin for a straddle, which consists of two opposite positions in the same futures contract with different delivery months, has been raised to Ecu6,000. These changes take effect on Wednesday.

● The London International Financial Futures and Options Exchange has decided not to change its Bund futures contract to include bonds issued by Germany's Treuhandanstalt or the European Recovery Programme, the government agencies charged with funding the regeneration of the former East Germany.

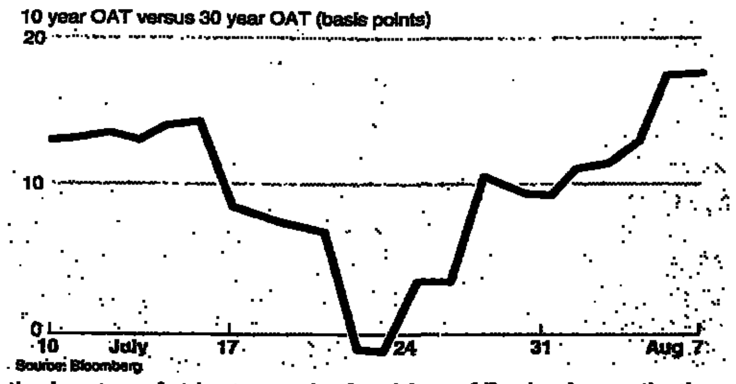
The Treuhand is due to make its debut in the bond market in the autumn, raising up to DM10bn. However, while the December and March contracts will not be altered, the Liffe board reserved the right to include the agencies' issues for the June 1993 contract.

Germany's Deutsche Terminbörse has announced that Treuhand bonds will be included under its rival Bund contract. Deliverability into the Liffe contract would have provided a further lift to demand.

Tracy Corrigan

ECU yield spread

10 year OAT versus 30 year OAT (basis points)



Source: Bloomberg

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
MBL Fin.(Curacao)(a)†	390	2003	10.583	$6\frac{7}{8}$	100	Mitsubishi Fin.Intl.	6.868
MBL Fin.(Curacao)(b)†	130	2002	10	$6\frac{3}{4}$	100	Mitsubishi Fin.Intl.	6.75
Abbey Nat.Treas.Ser.(d)‡†	100	1997	5	(d)	100	Merrill Lynch Intl.	-
IADB†	500	1997	5	6	101.75	Goldman Sachs Intl	5.589
ABN Amro Bank(f)‡†	150	2002	10	(f)	99.90	Kidder Peabody	-
BASF Brasleira SA†	30	1997	5	$9\frac{1}{2}$	100.80	Dresdner Bank	9.293
Bank Austria(h)‡†	100	2002	10	(h)	99.85	Lehman Brothers	-
Bayer.Vereinsbank(i)‡†	100	2002	10	(i)	100	Merrill Lynch Intl.	-
Commerzbank(j)‡†	100	2002	10	(j)	99.85	Morgan Stanley Intl.	-
Bayer.Hypo.Bk.(k)‡†	50	1997	5	(k)	100	S.Montegu & Co.	-
Societe Generale(n)‡†	160	2002	10	(n)	99.85	Kidder Peabody	-
STERLING							
KFW Intl. Fin.†	100	2008	15.5	$9\frac{7}{16}$	99.923	BZW	9.434
YEN							
Hankyu Dept.Stores.(c)‡†	12.5bn	1997	5	(c)	100	Banca Del Gottardo	-
Ibiden Co.†	10bn	1997	5.25	6	101.50	Nomura Intl.	5.655
AUSTRALIAN DOLLARS							
St.BK.of N.S.Wales(e)†	225	2002	10	9	$101\frac{1}{2}$	Deutsche Bank	8.769
Prov.Alpes-Cote-d'Azur†	100	1999	7	$8\frac{1}{4}$	101.2	Hambros Bank	8.019
Shell Australia†	100	1999	7	8	100.125	Deutsche Bk. London	7.976
SWISS FRANCS							
Aoki Corp★★†	150	1999	-	8	$100\frac{5}{8}$	Swiss Volksbank	8.659
Tokyu Recreation Corp★★Φ	55	1996	-	$3\frac{5}{8}$	100	Yamaichi Bank	3.625
D-MARKS							
EIB(g)‡†	300	2002	10	(g)	100.35	Dresdner Bank	-
Guinness Finance BV†	200	1995	3	9	101.65	JP Morgan	8.356
Vicfin(o)‡†	200	1994	2	(o)	100	Morgan Stanley	-
Lapine Co.(l)†★★	10	1997	5	(l)	100	Mitsubishi Bk (Deut.)	-
LUXEMBOURG FRANCS							
Banque Indosuez†	1bn	2002	10	9.25	102.25	BGL	8.900
Rank Xerox Fin.†	750	1997	5	$9\frac{3}{8}$	102.35	Credit Europeen	8.770
Thom.Brandt Intl.(m)†★★	900	1995	3	9.625	102.20	KBL	8.778

★★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. ♠Variable rate note. †Final terms. a) Tranche A of $520m issue. Callable at par from 18/3/1998. b) Tranche B of $520m issue, callable at par from 18/8/1997. c) Coupon pays 3 month Yen Libor plus 30%. Non-callable. d) Coupon pays 12.5 bp below 6 month Libor. Minimum interest of 5% or maximum of 8% for years 1 & 2. Maximum of 7% years 3 & 4, and maximum of 8% for year 5. e) Amount increased from A$150m. Non-callable. f) Coupon pays 12.5bp below 6 month Libor. Coupon payable semi-annually. Minimum interest rate 5¼, maximum of 10%. g) Coupon pays 6 month Libor less 85bp. h) Coupon pays 3 month Libor less ⅛. Minimum interest rate 5%, maximum of 10%. Subordinated issue. i) Subordinated issue. Coupon pays ⅛% below 6-month Libor and payable semi-annually. Maximum interest 10%, minimum 5%. Non-callable. j) Coupon pays 12.5bp below 6-month Libor and payable semi-annually. Subordinated issue. Maximum interest 10%, minimum 5%. Non-callable. k) Coupon pays 6-month Libor and payable semi-annually. Fees undisclosed. Maximum interest 7% in years one & two, 8% in years three & four and 9% in year five, minimum interest 4%. l) Coupon pays 0.37% above 6-month Libor and payable semi-annually. Non-callable. m) Amount increased from Flux600m. Non-callable. n) Amount increased from $100m. Coupon pays 12.5bp below 6-month Libor. Non-callable. o) Full name of borrower: Victorian Authorities Public Finance. Coupon pays $\frac{1}{16}$% above 6-month Libor and payable semi-annually. Non-callable. Note. Yields calculated on ISMA basis

Anthony Harris

Backing into a grim future

HOWEVER much Mr Lamont may hope that he can prove Bellman's Law – "What I say three times is true" – the slump draws visibly nearer every week. For what he and the prime minister have said three times (and it must be 30 times by now) is not true; and his obedient echoes in the more thuggish parts of the gilt and currency markets are equally misguided.

They are all living in the recent past; but it is not like the present, which resembles a nastier and more distant past. You don't believe it? Compare their key assertions against the facts.

On the strategy: the French strong-currency route is the only way. "And there is absolutely no reason why we cannot do the same," says Mr Lamont.

Fact: we are not following the French route at all. The franc was devalued several times after the policy change of 1983. In spite of this, it took nearly a decade of sub-normal growth in a world boom, topped off by a German inflation, to make the franc half-credible; and French unemployment is still rising.

We are trying to repeat the experiment with no devaluation, no boom, and no hope. There is every reason why we cannot follow the French route, even if it might have been the right one 10 years ago.

On the alternatives: a devaluation would raise inflation (this assertion is simply built into the model which has got everything else wrong), and so have no effect.

Again, it sounds half plausible if you are insular enough; but it is wrong. Devaluing in a depressed economy does not have this effect. The French devaluations did not raise inflation, nor did the massive US devaluation since 1986, or the 10 per cent Irish devaluation of that year. Nor, for that matter, did the much larger British devaluation after the 1981 Budget. And after all of them, even within the ERM, interest rates soon resumed a falling trend.

About the objective: fast reliable growth requires low inflation. Look at Japan, for example.

Well, look at Japan. Through its most dynamic period, inflation averaged more than 7 per cent a year. But this did not undermine competitiveness, for the prices of traded goods made in Japan did not rise at all. The inflation was an internal adjustment to a productivity explosion in manufacturing. This is a path Britain actually could follow, thanks to the genuine Thatcher productivity revolution. But not if the economy remains in slump.

On the constraints: all the alternatives are ruled out, because the markets would never permit them.

I hear similar nonsense from arrogant young puppies in the gilts market every day; and US bond dealers used to make similar threats about funding the $400bn US deficit. They are all guilty of closed-market thinking. Nowadays we work in a world capital market, in which a few billion more or less on British government borrowing is barely noticeable. And we have indexed gilts. Crowding out in the London market, if it ever existed (the term "buyers' market" is much more accurate), it ended a decade ago.

And worst of all, what they don't say: that at some stage, and it could be a matter of weeks rather than months, the markets will wake up before the government does, conclude that the present policy will break down anyway, and plunge us into a sterling crisis that really could close most of the sensible options.

This scenario is beginning to appear in some of the more thoughtful brokers' circulars (especially the more monetarist ones). Is anyone in the Treasury even thinking about the pre-emptive action which could be needed if this threatens to become the majority view?

If not, they should be thinking about the past; not the dead days of the 1970s, but the last financial slump in the 1930s. The path Mr Major is treading is not that of President Mitterand, but that of the pre-war Labour government, which wrecked the party for three Parliaments; or that of the equally anti-inflationary Chancellor Bruning of the Weimar republic, which wrecked German democracy. If policies must be borrowed from the past, choose the relevant past.

Notice to the Warrantholders of

HANKYU CORPORATION
(the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company (the "Shares") issued with

U.S. $250,000,000
6⅛ per cent. Bonds 1998

"Adjustment of Subscription Price"

Notice is hereby given that the Company has resolved at the meeting of the Board of Directors held on 22nd July, 1992 to split the Shares (the "Stock Split") owned by the shareholders appearing on the register of shareholders of the Company as at 17:00 hours on 30th September, 1992 (Japan time) at the rate of one point zero five (1.05) Shares to one (1) Share held by them; provided, however, that the fractions of a full Share occurring upon such Stock Split shall be sold as a whole and the proceeds of the sale shall be distributed to the shareholders entitled thereto in proportion to their fractional interests, and as a result of such Stock Split the Subscription Prices for the captioned Warrants shall be adjusted as follows:

Subscription Price before adjustment:	Yen 641 per Share
Subscription Price after adjustment:	Yen 610.50 per Share

HANKYU CORPORATION
8-8, Kakuda-cho,
Kita-ku, Osaka, Japan
By: THE SANWA BANK, LIMITED
as Principal Paying Agent

Dated: 10th August, 1992

THE M&G ISLAND GOLD FUND (FORMERLY THE GOLD EXEMPT FUND)

Notice is hereby given that Scheme Particulars in respect of The M&G Island Gold Fund (formerly The Gold Exempt Fund) have been published in revised form on 10th August 1992.
Copies are available free of charge from the Manager, M&G (Guernsey) Limited, PO Box 44, The Grange, St Peter Port, Guernsey, Channel Islands.
By Order of the Manager
M&G (Guernsey) Limited
Dated 10th August 1992.
Neither the Manager nor Kleinwort Benson (Guernsey) Limited ("the Trustee") are authorised under the United Kingdom Financial Services Act 1986. The investor protection provided by the United Kingdom regulatory system does not apply to the Fund. However, both the Manager and the Trustee are authorised by the Guernsey Financial Services Commission, providing similar protection for investors. Whilst investors' rights will not be protected by the United Kingdom Investors Compensation Scheme they are covered to the extent applicable by the Collective Investment Schemes (Compensation of Investors) Rules 1988 as issued by the Guernsey Financial Services Commission. The contents of this notice have however, been approved by M&G Financial Services Limited, Three Quays, Tower Hill, London EC3R 6BQ, England (a member of IMRO).

This advertisement is published in accordance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for or to purchase any securities of Yorkshire – Tyne Tees Television Holdings plc (the "Company").

YORKSHIRE – TYNE TEES TELEVISION HOLDINGS plc

(Incorporated with limited liability in England and Wales Registration No. 1542206)

Issue of up to 9,889,390 Warrants, exercisable into the Company's Ordinary Shares of 25p each

Application has been made to the London Stock Exchange for the above Warrants of the Company to be admitted to the Official List.

Listing Particulars containing details of the above Warrants are available in the Companies Fiche Service of the London Stock Exchange and copies may be obtained during normal business hours on any week day (Saturdays and public holidays excepted) up to and including 12th August, 1992, for collection only, from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Old Broad Street, London, EC2, and up to and including 24th August, 1992, from Linklaters & Paines, Barrington House, 59-67 Gresham Street, London, EC2V 7JA.

Baring Brothers & Co., Limited — Cazenove & Co.

10th August, 1992

1992 M.P. No. 2069

IN THE SUPREME COURT OF HONG KONG
HIGH COURT
MISCELLANEOUS PROCEEDINGS

IN THE MATTER OF BANK OF CREDIT AND COMMERCE HONG KONG LIMITED (IN LIQUIDATION)

and

IN THE MATTER OF THE COMPANIES ORDINANCE
(Chapter 32)

NOTICE IS HEREBY GIVEN that, by an Order dated the 15th day of July 1992 made in the above matters, the Court has directed a Meeting to be convened of the Scheme Creditors (as that expression is defined in the Scheme of Arrangement hereinafter mentioned but essentially applying to every unsecured creditor whose net aggregate claim against Bank of Credit and Commerce Hong Kong Limited (In Liquidation) ("the Company") exceeds HK$100,000) for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the Scheme Creditors and that such Meeting will be held at Queen Elizabeth Stadium, 18 Oi Kwan Road, Hong Kong, on Tuesday the 1st day of September 1992 at 10 a.m. at which place and time all Scheme Creditors are requested to attend.

A copy of a printed composite document containing the said Scheme of Arrangement and the Explanatory Statement required to be furnished pursuant to section 166A of the above-mentioned Ordinance, together with a form of proxy can be obtained by any person entitled to attend the said Meeting by mail upon written application to the Special Managers of the Company at the registered office of the Company situate at 4th Floor, Stanhope House, 738 King's Road, Quarry Bay, Hong Kong.

The Scheme Creditors may vote in person at the said Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their stead.

In the case of joint holders of a claim against the Company the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the most recent records of the Company relating to such claim.

It is requested that forms appointing proxies be lodged or sent so as to arrive at the registered office of the Company at 4th Floor, Stanhope House, 738 King's Road, Quarry Bay, Hong Kong not later than 48 hours before the time appointed for the said Meeting, but if forms are not so lodged they may be handed to the Chairman at the Meeting.

By the said Order the Court has appointed NICHOLAS PETER ETCHES or, failing him, GABRIEL CHI KOK TAM or, failing him, the Acting Official Receiver to act as Chairman of the said Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated the 6th day of August, 1992

JOHNSON STOKES & MASTER
18th Floor, Prince's Building,
10 Chater Road,
Central, Hong Kong.
Solicitors for the Official Receiver and Liquidator
of Bank of Credit and Commerce Hong Kong Limited

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Auction statement ends speculation on full funding

THE BANK of England's announcement last week that it is to hold a gilts auction on August 26 came as little surprise to the market.

It was in line with the Bank's unofficial schedule of an auction every two months. It did, however, end recent speculation that it may abandon the full fund rule as a means of easing monetary conditions. The rule obliges the authorities to fund the government deficit in full by sales of debt outside the banking and building society sectors.

The market reacted favourably to the Bank's decision to issue long-dated stock with a 15-year maturity. This was both what traders expected and wanted, and they expect an auction of 8¾ per cent Treasury 2017.

Mr Michael Saunders, UK economist at Salomon Brothers, said: "The reason for issuing at the long end is that is where most of the demand has been recently. It has been the UK institutions – life assurance and pension funds – that have been the big buyers."

The Bank said the amount and terms of the auction would be announced on August 18 at 2.30pm.

Although the latest monetary figures from the Bank show overseas demand for UK government stock picked up in June, the big increase this year in the amount of gilts issues has been absorbed mainly by domestic investors.

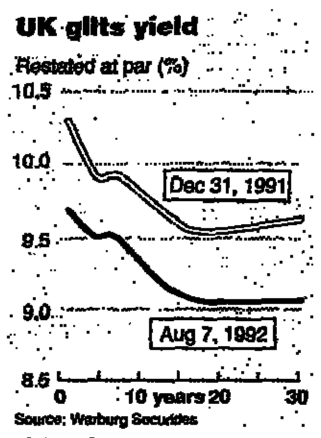
The long end remains attractive. The inflation outlook is still encouraging and domestic investors have more faith than overseas investors in the government's ability to stand firm against the clamour for devaluation.

Last week, the spectre of a no vote in the French referendum on ratifying the Maastricht treaty cast a pall over all European bond markets. Gilt prices were also affected by sterling's weakness, although they ended mostly unchanged on the week.

This week traders expect prices to drift lower ahead of the auction on August 26, in spite of more good news on inflation. A string of statistics this week on the UK are forecast to show the real economy remains in recession, but that the battle against inflation continues to be successful.

The producer prices and retail prices indices are expected to show a further fall in the rate of inflation, as is a forecast drop in May's rise in annual average earnings to 6.25 per cent from 6.5 per cent.

● The gilts market paused for thought last week when the Treasury announced it was cutting National Savings interest rates, to avoid mortgage rate rises by building societies.



Although this means the government will have to sell more bonds to fund fully the public sector borrowing requirement, the decision had little impact on gilts.

This is because the contribution of National Savings to funding is well ahead of the government's unofficial target of about £6bn for the year. Last month National Savings contributed £600m, bringing the total for the first four months of the financial year to about £2.1bn. Analysts believe gilts sales will therefore have to be higher, but not significantly so.

Emma Tucker

US MONEY AND CREDIT

Jobs figures fail to indicate firm recovery

ALL WEEK the US bond market waited for the July jobs numbers. After they arrived on Friday morning, the yield on the benchmark 30-year bond fell to just 7.39 per cent, the lowest since early January.

The market's gloomy assessment of the economy's prospects came in sharp contrast to President Bush's rallying words from the White House. Where the president saw a nation "poised for a strong recovery", bond traders saw employment numbers inflated by temporary summer jobs. And where the president saw growth – "albeit anaemic" – the bond market saw only the inklings of any improvement.

The question then remains: will the Federal Reserve step in with yet another interest rate cut, and if so, when.

The jobs numbers looked acceptable at first glance. The unemployment rate edged down to 7.7 per cent last month from 7.8 per cent in June, and non-farm payrolls climbed by 198,000 jobs – the largest monthly rise in two years.

As anticipated, payroll employment was lifted by 75,000, thanks to the federally funded summer jobs programme. The programme formed part of emergency legislation passed after the Los Angeles riots, and is designed to provide summer employment for economically disadvantaged people in their late teens and early twenties.

So most pundits expect the 75,000 jobs which showed up in the July employment report to fall out of the September figures. That did leave a more genuine 123,000 increase in employment last month. However, closer inspection of the figures also showed that this was concentrated exclusively in the service sector.

Any improvement is modest. As one analyst was quick to point out, the increase in private sector jobs during the past two months has numbered less than 30,000. That is not the sort of advance which suggests a firm recovery is under way.

Accordingly, bond prices, which had been yo-yoing for most of the week, rose fairly sharply on Friday. The long bond gained almost ¾ of a point, and the yield dropped from Thursday's 7.45 per cent.

Whether such gloomy data prompts a new interest rate cut is a moot point. The corporate reporting season was presentable. Only certain problem sectors threw up bad numbers. Even General Motors last week announced reduced second-quarter losses, although it warned that the second half of 1992 would be tough.

Given the distortions to the July jobs figures and the limited signs of progress, it seems unlikely that anything will happen in a hurry.

"We do not expect any major monetary policy changes to be implemented between now and year-end," suggested Donaldson, Lufkin & Jenrette, the Wall Street brokerage, in the wake of Friday's data. "This will leave the discount rate and funds rate in December at 3 per cent and 3.25 per cent respectively."

With these considerations in mind, the market's main focus this week will be on inflation numbers and July retail sales figures. There seems little cause for concern on the first score: there is plainly no evidence of inflationary steam and the producer price index is expected to show a rise of about 0.1 per cent for the month, with the consumer price index gaining an equally modest 0.2 per cent. Retail sales during July are thought to have worsened, but largely due to car sales. With auto sales excluded, the market is anticipating a modest advance, in the order of 0.5 per cent.

Nikki Tait

ITALIAN BONDS

Amato still has a long way to go

IF MR GIULIANO Amato, Italy's premier, were a film star, he would be gloating over the rave reviews which greeted his latest venture. But for Mr Amato, this is just the beginning: he still has a long way to go before the markets are convinced he has the stomach – and political backing – to take on Italy's debt burden and win.

The enthusiasm that rippled through the markets last week followed agreement between trades unions, industrialists and the government to scrap Italy's *scala mobile*, which has linked wages to inflation for nearly half a century. The deal has yet to be concluded, and a backlash from the more militant Italian unions is possible – though the risk is ruled out in most quarters.

The ending of inflation-linked wage rises could wipe 1 per cent off the country's inflation rate in the medium term. The rate could be down to 3 per cent by end-1995, compared with 3.9 per cent if the *scala mobile* had been retained.

The rise in Italian government bonds last week was nearly as extravagant as the praise from the pundits. The gross yield on 10-year BTPs fell to 13.45 per cent from 14.14 per cent a week before. The advance was spurred by the Bank of Italy's 0.5 point cut in the discount rate to 13.25 per cent, reversing in part two recent rises made to defend the lira. With public debt the size of Italy's though, every cut in interest rates helps. A full point off rates would save the Italian Treasury nearly L15,000bn a year – or around 10 per cent of this year's budget deficit. Mr Amato's credibility rests on his battle against that deficit. His emergency budget may have calmed fears about this year's deficit, but far more important will be the budget for 1993, due this autumn. This is one of the two factors overshadowing Italian bonds. The other is Maastricht. Whatever the administration's successes in tackling domestic problems, foreign investors are unlikely to return in any numbers until the road to monetary union is cleared opening the way for the convergence of European bond yields.

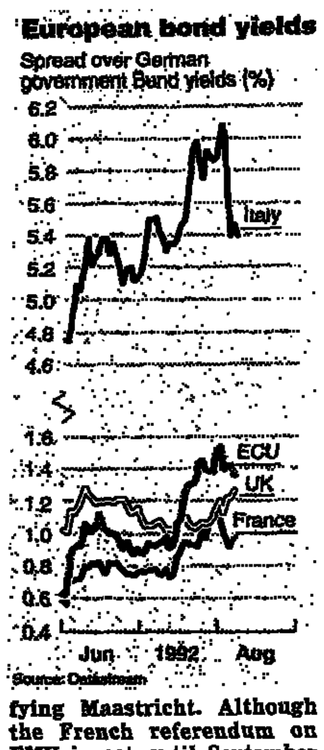
Richard Waters

EUROPEAN BONDS

EUROPE'S government bond markets have two concerns: the prospect of higher German interest rates and the risk that the French vote against ratification of the Maastricht treaty, writes Sara Webb.

The fact that the Bundesbank left interest rates unchanged after Thursday's council meeting was greeted with relief in the bond markets. For although the Bundesbank raised its discount rate as recently as July 16 – to 8.75 per cent from 8.0 per cent – the markets have continued to fret about whether it will raise the Lombard rate as well.

The bank remains concerned about German M3 growth, and is determined to pull it back from 8.7 per cent to its target of 3.5 per cent to 5.5 per cent. However, the markets were relieved when Mr Helmut Schlesinger, the bank's president, said on Thursday it saw no reason to raise the Lombard rate.



The other favourable news for the European bond markets was French opinion polls showing firm support for ratifying Maastricht. Although the French referendum on EMU is not until September 20, the European markets are likely to remain hostage to the opinion polls. Wednesday's poll in Paris-Match magazine showed 56 per cent favoured Maastricht, with 44 per cent against. This boosted French and other European bonds.

However, while the main bond markets were encouraged by the news in Germany and France, the Nordic markets were hit by a sudden rise in Finnish interest rates. The Bank of Finland announced on Thursday it would raise its key tender rate to 16 per cent from 14.62 per cent from today in an attempt to stem the recent outflow of capital.

The news lifted Finnish yields immediately: that on the 11 per cent, seven-year government bond climbed to 12.7 per cent on Thursday, against 12.3 per cent the previous Friday. Swedish bond yields were also pushed up. However, after Finland announced economic measures on Thursday night to calm the markets, Nordic yields fell and the seven-year Finnish bond yield dropped to 12.52 per cent on Friday.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼		4.67
ABN 9 1/8 94	200	107½	[illegible]	5.05
AETNA LIFE & CAS 7 3/4 16	200	103½	[illegible]	7.43
ALBERTA PROVINCE 8 5/8 96	750	109¾	[illegible]	5.98
ALBERTA PROVINCE 9 3/8 95	600	111¼	[illegible]	5.46
AMERICAN EXPRESS ZERO 00	450	53½	[illegible]	7.81
AMERICAN GENERAL 9 3/4 95	100	109¾	[illegible]	5.93
AMERICAN INTL 0 04	750	40½	[illegible]	7.84
ASIAN DEV BANK 0 04	1000	41	[illegible]	7.67
ASIAN DEV BANK 8 96	100	107¼	[illegible]	6.01
AUSTRALIA 11 95	200	113¼	[illegible]	5.56
AUSTRIA 7 3/4 97	200	106½	[illegible]	6.08
AUSTRIA 8 1/2 00	400	110¼	[illegible]	6.72
AUSTRIA 9 1/4 96	100	111¾	[illegible]	5.75
BANK OF TOKYO 8 3/8 96	100	107¼	[illegible]	6.12
BARCLAYS JERSEY 10 5/8 95	250	114	[illegible]	5.90
BASF FIN EUROPE 7 99	200	101½	[illegible]	6.72
BAYER USA 8 1/4 96	150	108	[illegible]	5.97
BELGIUM 8 97	300	108¼	[illegible]	5.88
BELGIUM 8 3/4 98	400	111¼	[illegible]	6.35
BELGIUM 9.2 10	500	115¼	[illegible]	7.60
BELGIUM 9 5/8 98	250	115¼	[illegible]	6.47
BFCE 7 3/4 97	150	106½	[illegible]	6.07
BFCE 9 1/4 95	150	111¾	[illegible]	5.37
BNP 8 5/8 94	300	107¼	[illegible]	4.72
BOOTS 9 97	175	109¾	[illegible]	6.41
BP AMERICA 9 3/4 99	250	114¼	[illegible]	6.94
BP CAPITAL 9 1/8 94	75	106½	[illegible]	5.04
BPCA FINANCE 8 3/8 98	150	107¼	[illegible]	6.68
BRITISH GAS 8 3/8 99	350	109¼	[illegible]	6.69
BRITISH TELECOM FIN 8 3/4 99	200	111¼	[illegible]	6.69
BRITISH TELECOM FIN 9 3/8 98	250	113½	[illegible]	6.64
CAISSE NAT ENERGIE 11 3/4 95	125	115	[illegible]	5.17
CANADA 9 96	1000	111½	[illegible]	5.38
CANADA 10 95	500	113¼	[illegible]	5.32
CANADIAN PACIFIC 7 1/2 96	100	103½	[illegible]	6.30
CARIPLO 8 3/4 98	200	109	[illegible]	6.84
CATERPILLAR FIN SERV 0 94	100	92¾	[illegible]	5.01

	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	[illegible]	[illegible]	[illegible]	[illegible]
SBAB 9 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]
SBC FINANCE 7 3/4 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. on week = Change over price a week earlier.
FLOATING RATE NOTES: US dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = current warrant price.

THE WEEK AHEAD

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Interims:
New Ireland
Takare

■ TOMORROW
COMPANY MEETINGS:
Associated Nursing Services, 12 Parkgate Road, Battersea, S.W., 12.00
Castings, Forte Posthouse Hotel, Chapel Lane, Great Barr, Birmingham, West Midlands, 3.30
Equity Consort Inv. Trust, Five Arrows House, St. Swithin's Lane, E.C., 10.00
Evans of Leeds, Millshaw, Ring Road Beeston, Leeds, 12.00
NORWEB, The G-Mex Centre, Manchester, 10.30
Welpac, Smith New Court House, 20 Farringdon Road, E.C., 10.00
BOARD MEETINGS:
Finals:
Armitage Brothers
Batleys
Crown Eyeglass
Howard Hldgs.
Newmark (Louis)
Rexmore
Interims:
General Accident
Kinta Kellas
Kleinwort O'seas. Inv.
Manchester Ship Canal
Metal Bulletin
Newmarket Venture Cap.
Relyon
Saatchi & Saatchi

■ WEDNESDAY AUGUST 12
COMPANY MEETINGS:
Jones & Shipman, Narborough Road South, Leicester, 2.00
Mountview Estates, Hotel Russell, Russell Square, W.C., 11.00
Severn Trent, The Intl. Conference Centre, Broad Street, Birmingham, 11.00
BOARD MEETINGS:
Finals:
Brandon Hire
Standard Platform
Interims:
Associated Fisheries
Bensons Crisps
Commercial Union
Heywood Williams
Moorfield Estates
Nichols (J.N.) Vimto
North Midland Constr.
Queens Moat Houses
Richardsons Westgarth
Tullow Oil
Ward Hldgs.

■ THURSDAY AUGUST 13
COMPANY MEETINGS:
Banner Homes, The Chequers Hotel, Kiln Lane, Wooburn Common, Bucks., 10.30.
Bulgin (A.F.), Bypass Road, Barking, Essex, 3.00
Somic, The Clifton Arms Hotel, West Beach, Lytham, 12.00
Stonehill Hldgs., The Grosvenor House Hotel, 86 Park Lane, W., 3.00
BOARD MEETINGS:
Interims:
Ayreshire Metal Products
Blagden Inds.
Fairhaven Intl.
Foreign & Colonial Inv.
Glynwed Intl.
Johnson Group Cleaners
Royal Insce.

■ FRIDAY AUGUST 14
COMPANY MEETINGS:
Bimec Inds., The National Motorcycle Museum, Coventry Road, Bickenhall, Solihull, West Midlands, 12.00
Kewill Systems, Ashley House, 20-32 Church Street, Walton-on-Thames, Surrey, 10.00
BOARD MEETINGS:
Interims:
Foreign & Colonial Enterprise Tst.
LIT Hldgs.
Thailand Intl. Fd.

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
ACT 3p
Amber Indl. 12.5p
American Express $0.25
Conversion 9¾% 2001 £4.875
GEI Intl. 4.85p
Hardy Oil & Gas 1p
Hardys & Hansons 2.8p
Norcros 3.5p
Total Systems 1.5p
TR Technology 1.75p
Whitecroft 0.7p
Do. 4.1% Prf. 2.05p

■ TOMORROW
Anchor Intl. Fd. $0.13
Electra Inv. Tst. 3.3p
Gopeng Berhad M$0.05
Henderson Highland Tst. 1.4p
Natl. Westminster Bank Var. Rate Cap. Nts. 2008 $118.51
Sumitomo Bank Intl. Finance NV Gtd. Fltg. Rate Nts. 2000 $107.01

■ WEDNESDAY AUGUST 12
Barr (A.G.) 1.75p
Caledonia Invs. 9.6p
Castings 2.77p
Clyde Blowers 0.83p
Cohen (A.) 3.4p
Do. A NV 3.4p
E.I.D. Parry (India) IRs3
ERF Hldgs. 2p
Hambros Eurobond & Money Mkt. Fd. Ptg. Red. Prf. Australian Eurobond A$1.039
Do. Ptg. Red. Prf. Contl. Eurobond DM1.777
Do. Ptg. Red. Prf. Contl. Euro Money Mkt. DM2.118
Do. Ptg. Red. Prf. Mngd. 17p
Do. Ptg. Red. Prf. Eurobond 22.8p
Do. Ptg. Red. Prf. Stlg. Majority Money Mkt. 23.2p
Do. Ptg. Red. Prf. Stlg. Money Mkt. 50p
Do. Ptg. Red. Prf. Eurobond Fd. $0.834
Do. Ptg. Red. Prf. Money Mkt. $0.204
Do. Ptg. Red. Prf. Mngd. $0.017
Do. Ptg. Red. Prf. Yen Eurobond Y56.1
Tams (John) 2.41p
Tesco Capital 9% Conv. Cap. Bds. 2005 4.5p
Vodafone 2.94p

■ THURSDAY AUGUST 13
Beazer 8½% Cnv. Uns. Ln. 2000 £0.30274
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1994 £128.51
Natl. & Provincial Bldg. Soc. Fltg. Rate Nts. 1999 £257.13
Royal Bank of Scotland Fltg. Rate Nts. 2005 £128.04
Southern Business 1.15p

■ FRIDAY AUGUST 14
BTP 5.75p
Bulgin (A.F.) 0.1p
Do. A NV 0.1p
Control Techniques 2.15p
Halma 1.332p
Hogg Robinson 3.8p
Lee (Arthur) 1.65p
National Westminster Bank Prim. Cap. Fltg. Rate Nts. Sers. B $ 214.86
Polar 2p
Reed Intl. 10.75p
Scottish Metropolitan Property 7⅜% 1st Mtg. Deb. 1988/93 £3.6875
Do. 10¼% 1st Mtg. Deb. 2016 £5.125
Silvermines IR1p
Somic 1p
State Bank of New South Wales 10 Year Ext. Fltg. Rate Nts. $214.86
Sterling Inds. 4.1p
Storehouse 2.5p
Trinity Intl. 5% (3½% net) Prf. 1.75p
UMECO 1p
Vistec 0.2p

■ SATURDAY AUGUST 15
Anglo American Inv. Tst. 6% Prf. R0.06
Chase Manhattan $0.3
Fishguard & Rosslare Railways & Harbours 3½% (2.45% net) Gtd. Prf. 1.225p
Mid-States 2.25p
NOVA Corp. of Alberta C$0.06
Oceana Cons. 1p
Sears 7¼% Uns. Ln. 1992/97 £3.625
TSB Gilt Fd. Ptg. Red. Prf. 2.5p

■ SUNDAY AUGUST 16
State Bank of New South Wales 11¾% Bds. 2001 A$117.5
Treasury 2½% IL £1.9015

ECONOMICS

Few signs yet of UK upturn

ECONOMIC news in the UK gathers pace this week with data on inflation, manufacturing output, unemployment, and credit business. The figures are not expected to be particularly encouraging, so pressure on the government to find a way of easing conditions looks set to continue.

Official figures on Thursday are forecast to show that output was flat in June. This follows the latest Confederation of British Industry quarterly survey, which indicated that the number of firms expecting higher output over the next four months fell sharply in July compared with May.

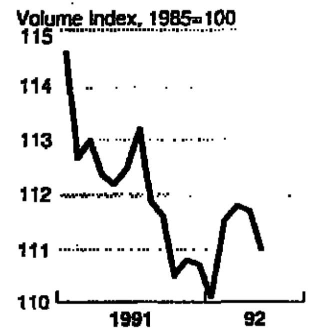
The Central Statistical Office's index of manufacturing output rose for three consecutive months at the beginning of the year – leading to suggestions that manufacturing output had "bottomed out" in the first quarter – but disappointed expectations by falling in April and May.

Unemployment figures are expected to show another rise, although in June the jobless total rose by a smaller than expected 7,000. The small drop was probably erratic, as there are few signs in the real economy to suggest that such a slowdown in unemployment growth is sustainable.

The following include some of the other economic highlights of the week, with the median of economists' forecasts in brackets from MMS International, a financial information company.

UK Manufacturing output

Volume index, 1985=100



Source: Datastream

Today: UK, June credit business (£23m net repayment). Canada, June car sales (up 0.5 per cent).

Tomorrow: UK, July producer prices index, input (flat on month, down 1.4 per cent on year), output (up 0.1 per cent on month, up 3.5 per cent on year). US, preliminary productivity. Canada, June unadjusted department store sales (down 1 per cent on year). July housing starts (175,000). Japan, June machinery orders. Australia, July retail trade (up 1.1 per cent on month, up 1.8 per cent Q2 on Q1).

Wednesday: US, July producer prices index (up 0.1 per cent), excluding food and energy (up 0.2 per cent), June home completions. UK, Confederation of British Industry regional industrial trends survey.

Thursday: US, July retail sales (up 0.3 per cent), excluding cars (up 0.5 per cent), July CPI (up 0.3 per cent), excluding food and energy (up 0.3 per cent), initial claims for week ended August 1 (450,000), car sales August 1-10 (6.5m), July real earnings, money supply data for week ended August 3, July M1 (up $8.6bn), July M2 (down $4.2bn), July M3 (down $7.2bn). UK, July unemployment (up 25,000), June average earnings (up 6.25 per cent), June unit wage costs (up 2.1 per cent), June industrial production (down 0.2 per cent), June manufacturing output (flat on month, down 1.3 per cent on year). Spain, July CPI (up 1 per cent on month, up 5.9 per cent on year). Japan, July trade balance ($9.2bn surplus). Australia, Q2 GDP (up 0.5 per cent on quarter).

Friday: US, July industrial production (up 0.2 per cent), July capacity utilisation (78.5 per cent), June business inventories (up 0.3 per cent). Canada, July advance department store sales. UK, July retail prices index (flat on month, up 4.1 per cent on year), excluding mortgage interest payments (up 4.8 per cent on year). Japan, June industrial production.

During the week: Germany, June capital account, July wholesale prices index (down 0.1 per cent). Australia, June money supply data. Japan, July WPI (up 0.1 per cent on month, down 1.2 per cent on year)

Emma Tucker

RESULTS DUE

THREE of the biggest UK insurance companies will still be in the red when they report pre-tax losses for the first half of 1992 this week. But with rate increases in the home, motor and commercial insurance markets taking hold and companies avoiding the weather losses of recent years, there are some glints of light on the horizon.

General Accident, which reports tomorrow, is widely expected to do best with pre-tax losses cut to between £20m and £30m compared to a deficit of £105.2m at the same stage in 1991. GA may even have made a small profit in the second quarter, according to some analysts.

Commercial Union, the most successful and aggressive UK insurer, is on Wednesday expected to report losses of around £30m, a deterioration on last year's £26.3m.

Royal Insurance, whose balance sheet is weakest, is on Thursday expected to register losses of between £70m and £100m, compared to a deficit of £97m last year.

Hanson, the Anglo-American conglomerate, is expected to report a significant fall in pre-tax profits for the nine months to June when it announces its results on Thursday. Pre-tax profits are likely to have fallen from £967m to around £760m. However, last year's results were boosted by acquisition benefits. Net debt, which is US dollar denominated, is expected to have fallen to £1.1bn because of the weakness of the dollar.

British Airways' first quarter figures tomorrow should reveal pre-tax profits of around £90m compared £9m a year earlier. The market will also be looking for news of progress on cost cutting, the recent deal to take a $750m stake in USAir and clues over the impact of price wars in the airline industry.

PUBLIC NOTICES

LEGAL NOTICES

BUSINESS TRAVEL

FLIGHTS

CONFERENCES & EXHIBITIONS

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices August 7

MONTREAL

4:00 pm prices August 7

Total Sales 10,102,400 shares

INDICES

NEW YORK

DOW JONES	Aug 7	Aug 6	Aug 5	Aug 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3332.18	3340.56	3365.14	3384.32	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.14	102.06	101.98	101.98	102.14 (7/8)	98.41 (20/3)	102.14 (7/8/92)	54.99 (1/10/81)
Transport	1277.40	1284.11	1291.20	1310.93	1467.68 (20/2)	1269.74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.08	221.08	222.52	224.34	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3378.38 (3374.33) Low 3318.40 (3327.05)

STANDARD AND POOR'S

	Aug 7	Aug 6	Aug 5	Aug 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	418.88	420.59	422.19	424.36	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	491.63	494.05	496.12	498.83	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	36.36	36.35	36.42	36.51	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	230.79	231.50	232.29	233.59	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	390.13	389.77	389.90	391.82	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.74	574.05	576.87	581.32	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 31	Jul 24	Jul 17	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.17	3.13	3.07

	Aug 5	Jul 29	Jul 22	year ago (approx.)
S & P Industrial div. yield	2.59	2.59	2.68	2.68
S & P Indl. P/E ratio	29.34	29.31	28.50	19.62

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Hewlett-Packard	6,876,200	58⅞	-12⅛
Gen Motors	5,506,300	36⅞	-⅜
BP	3,827,600	43⅜	-1⅛
Syntex	3,196,700	29⅞	-⅞
Ford Motor	2,824,400	40⅞	-⅜
IBM	2,796,100	87¼	-1⅛
Navistar	2,587,100	2¼	-⅛
Telefonos	1,974,900	48¼	+½
Chrysler	1,784,400	20⅝	-⅞
Illinois Power	1,728,000	20½	+¼

TRADING ACTIVITY

† Volume Millions	Aug 7	Aug 6	Aug 5
New York SE	188.340	181.390	172.420
Amex	8.612	8.584	8.653
NASDAQ	(u)	156.829	163.782
NYSE			
Issues Traded	2,295	2,322	2,322
Rises	773	706	720
Falls	914	977	1,025
Unchanged	608	639	577
New Highs	81	72	105
New Lows	24	21	28

CANADA

TORONTO	Aug 7	Aug 6	Aug 5	Aug 4	1992 HIGH	1992 LOW
Metals & Minerals	3021.60	3029.48	3031.48	3050.08	3238.87 (16/1)	2828.26 (8/4)
Composite	3406.30	3398.63	3406.19	3426.04	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1784.78	1778.62	1784.28	1797.23	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 7	Aug 6	Aug 5	Aug 4	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1586.7	1588.6	1605.4	1612.5	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	696.2	695.8	703.6	705.4	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	305.97	313.71	320.02	322.63	458.57 (24/2)	305.97 (7/8)
Traded Index (2/1/91)	719.28	744.21	764.05	770.60	1099.43 (24/2)	719.28 (7/8)
BELGIUM						
BEL20 (1/1/91)	1133.28	1143.19	1138.75	1136.29	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	305.40	305.08	303.64	305.69	365.29 (15/1)	303.64 (5/8)
FINLAND						
HEX General (28/12/90)	682.5	688.5	689.8	686.5	935.90 (24/2)	682.50 (7/8)
FRANCE						
CAC General (31/12/82)	486.96	488.68	486.87	489.27	565.93 (12/5)	475.53 (3/1)
CAC 40 (31/12/87)	1777.27	1793.84	1797.98	1787.63	2077.49 (11/5)	727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	635.66	638.85	636.62	637.61	725.26 (26/5)	631.84 (3/8)
Commerzbank (1/12/53)	1798.6	1807.5	1802.5	1802.5	2043.80 (25/5)	1785.30 (3/8)
DAX (30/12/87)	1609.5	1621.15	1628.81	1611.51	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	5850.93	5829.83	5841.24	5859.78	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1258.25	1265.17	1268.03	1268.97	1469.57 (17/1)	1258.25 (7/8)
ITALY						
Banca Com. Ital. (1972)	416.89	421.37	419.63	424.35	561.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	821.0	829.0	827.0	838.0	1086.00 (5/2)	779.00 (30/7)
JAPAN						
Nikkei (16/5/49)	15518.27	15926.44	15983.64	15692.59	23801.18 (6/1)	15095.95 (29/7)
Tokyo SE (Topix) (4/1/68)	1181.23	1207.32	1213.34	1200.17	1763.43 (6/1)	1170.93 (29/7)
2nd Section (4/1/68)	1649.25	1672.37	1683.53	1693.86	2459.85 (6/1)	1649.25 (7/8)
MALAYSIA						
KLSE Composite (4/4/86)	597.11	598.27	602.58	603.54	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	288.4	290.7	293.3	291.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	197.0	198.6	200.3	199.4	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	637.48	643.27	653.67	662.20	772.74 (18/5)	637.48 (7/8)
PHILIPPINES						
Manila Comp (2/1/85)	1462.76	1463.80	1485.85	1491.98	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	381.51	381.42	387.71	390.59	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1086.04	998.0	1010.0	1038.0	1327.00 (21/1)	998.00 (6/8)
JSE Industrial (28/9/78)	4191.04	4198.0	4203.0	4214.0	4689.00 (4/6)	4103.00 (27/7)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	495.22	500.84	493.33	501.48	691.48 (8/2)	493.33 (5/8)
SPAIN						
Madrid SE (30/12/85)	215.71	217.45	217.87	217.77	266.51 (28/2)	211.35 (28/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	850.9	859.4	863.1	864.3	1014.50 (11/5)	834.70 (24/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	842.9	847.8	849.1	841.7	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	634.8	638.3	638.9	634.5	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4082.90	4122.78	4134.91	4088.18	5391.63 (30/1)	3947.32 (29/7)
THAILAND						
Bangok SET (30/4/75)	764.43	767.48	761.51	754.48	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	490.3*	492.0	494.7	494.8	542.18 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	847.11	857.50	861.16	859.71	976.55 (25/5)	840.06 (27/7)

**Saturday August 1: Taiwan Weighted Price: 4101.84, Korea Comp Ex. 506.57.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 7 August 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	4.2	785	-31	Mitsubishi Kakok	1.8	670	-88
Okamoto Inds	4.0	901	-39	Mochida Pharm	1.6	2,610	-110
Mitsubishi Hvy	2.2	604	-21	Nisshin F&M Ins	1.6	420	-18
Npn Steel Corp	2.1	384	-2	Tokio M&F Ins	1.4	1,030	
Jpn Storage Batt	1.9	683	-30	Hitachi	1.4	740	-16

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AUTHORISED UNIT TRUSTS

For Matheson see Cannon UT

For Mayflower Mngmt see Shepards UT Mngmt

Mercury Fund Managers Ltd (1000)H

33 King William St, EC4R 9AS 071-280 2060

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American	5	127.4	127.4	135.5	0.00	40918
(Accum Units)	5	136.1	136.1	144.9	0.00	40919
American Opps	5	51.11	51.11	54.52	0.00	40922
(Accum Units)	5	51.81	51.81	55.27	0.00	40923
British Blue Chip	5	58.76	58.83	62.76	4.25	40924
(Accum Units)	5	67.21	67.30	71.79	4.25	40925
Cash *	0	100.4	100.4d	100.4	9.78	46004
(Accum Units) *	0	123.8	123.8d	123.8	9.78	46003
European Growth	5	153.3	153.3d	162.2	0.56	40926
(Accum Units)	5	164.3	164.3d	173.8	0.56	40927
European Income	5	59.92	59.92d	63.45	3.70	40928
(Accum Units)	5	74.84	74.84d	79.25	3.70	40929
General	5	360.5	360.5	384.6	3.15	40932
(Accum Units)	5	670.0	670.0	714.7	3.15	40933

Norwich Union Tst Managers (1200)H

PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Master Trust	6	82.65	82.65	87.92	4.10	40990
UK Equity†	6	99.51	100.96	107.40	4.67	41111
UK Equity Income	6	94.54	96.34	102.49	6.14	46935
UK Smaller Co's	6	83.42	86.80xd	92.34	3.25	46936
UK Equity Growth	6	92.57	94.16	100.17	5.22	46934
UK Index Tracking ♦ F	6	99.96	100.60	107.02	4.92	47662
Intl Index Tracking F	6	88.19	88.94	94.62	1.58	40364
International	6	143.35	144.88	154.13	2.39	41112
European	6	116.44	117.37xd	124.86	1.51	41114
Pan European	6	88.13	89.12	94.81	3.49	43997
Nth American	6	116.39	117.48	124.98	2.18	41115
Nth Amer Smllr Cos	6	101.27	103.2xd	109.85	0.00	47665
Japanese	6	46.92	47.61	50.65	0.00	47005
Pacific	6	115.22	116.95	124.42	1.29	41113
South East Asian	6	118.85	120.75	128.46	1.29	46933
International Bond	6	101.97	102.11xd	108.63	6.33	46931
Gilt & Convertible	6	98.16	98.35xd	104.63	8.03	46930
Property F	6	66.78	68.66	73.04	6.69	44760
Cash Deposit Accum F	0	102.20	102.20	102.30	9.35	40555

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American ♥	5	251.6	251.6	267.6	0.88	41410
(Accum Units) ♥	5	296.1	296.1	315.0	0.88	41411
Britain	5	745.1	762.0	805.2	6.67	41416
(Accum Units)	5	1244.5	1277.7	1352.0	6.67	41417
European	5	331.6	331.6	353.1	1.38	41418
(Accum Units)	5	359.5	359.5	382.8	1.38	41419
Japan	5	80.09	80.09	85.16	–	41420
(Accum Units)	5	80.73	80.73	85.84	–	41421
New Pacific	5	196.8	197.6	210.4	1.69	48365
(Accum Units)	5	204.5	205.3	218.6	1.69	47794
Investment Tst Aug 5	5	130.0	132.3	140.2	–	47595
Mngd Equity	5	117.3	118.5xd	125.4	3.06	47596
Mngd Equity Acc	5	126.9	128.2	135.7	3.06	40556
Mngd Cash	0	96.06	96.06xd	96.06	9.47	47595
(Accum Units)	0	122.8	122.8	122.8	9.47	40257
Majority Stfs	1	100.18	100.18xd	101.18	9.39	42703
Majority Stfs Acc	1	113.00	113.00	114.13	9.39	46689
Storehouse Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300				Dealing: 0277 261010		
International Jul 31	0	47.67	47.67	48.07	1.54	46406
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham				0403 232323		
Equity	6	566.8	573.5	613.4	3.33	41423
North America	6	75.34	75.34	80.58	0.77	41424
Far East	6	76.88	76.88	82.22	0.60	41425
W'wide Bond	6	47.70	47.70	50.74	6.16	41426
European	6	64.59	64.59	68.87	1.35	41429
Equity Income	6	62.55	62.53	66.88	5.57	41430
Portfolio	6	53.55	53.55	57.27	1.94	41431
UK Leading Cos	6	40.66	41.22	43.85	3.39	–
Broker Trusts						
Inst Equity	6	41.51	42.19	45.12	3.03	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants				0800 525725		
American Growth	6	25.13	25.13	26.88	0.48	47795
Managed Assets	6	94.96	95.65xd	102.30	4.55	44067
UK Income	6	28.72	29.06	31.09	5.30	41432

	Bid Price	Offer Price	Yield Gross	City-line
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Jul 31	£3759.0	3930.1xd	3.75	40766
European Jul 31	£562.0	568.4	2.01	40776
American Jul 31	£331.7	334.7	1.79	40773
Japan Jul 31	£353.6	358.8	1.81	40774
Pacific Jul 31	£135.9	139.1	1.25	40775
W Midlands Jun 30	£126.30	141.40	2.69	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Property Jul 31	189.50	193.30	8.20	40825
Equity Jul 31	824.75	835.30	4.00	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Aug 6		102.59xd	10.51	40883
(Accum Units)		684.45	10.51	40884
NAAC3F Aug 4		39.38xd	9.49	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jul 31	122.1	131.2	2.08	46925
UK Small Co † Jul 31	480.0	506.8	3.95	46926
Fixed Interest † Jul 31	110.9	116.6	8.58	46920
US Small Co Jul 31	140.1	149.8	0.00	46927
Managed Jul 31	102.2	109.5	3.66	46924
Intl Bond Jul 31	122.9	129.7	9.93	47790
Japan Jul 31	52.06	55.48	5.74	47877
European Jul 31	88.23	94.74	1.76	47876
Nth American Jul 31	106.0	114.0	1.37	47878
Morgan Stanley International				
UK Exempt	£906.27	929.15	–	–
Overseas Exempt	£914.99	942.86	–	–
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	48.79	50.70xd	1.52	41064
European Exempt	47.85	49.53xd	2.98	41065
Fixed Int Ex Aug 5	46.73	47.19xd	9.07	46594
Japan Exempt	30.42	31.37	0.92	41066
Managed Ex Aug 6	42.53	43.67	4.25	41067

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Life Funds				
Fixed Int. Dep. Acc.	340.5	358.5	–	41723
Equity Acc.	969.9	1021.0	–	41724
Property Acc.	482.9	508.4	–	41725
Far East Acc.	175.5	184.8	–	41726
European Acc.	25.3	26.7	–	41727
Managed Cap.	398.4	419.4	–	41729
Managed Acc.	768.2	808.7	–	41728
O'seas Earnings Acc.	666.6	701.7	–	41730
Gilt Edged Acc.	396.1	417.0	–	41731
American Equity Acc.	550.3	579.3	–	41732
American Man. Acc.	244.2	257.1	–	41733
American Prop Acc.	121.0	127.4	–	41734
High Income Acc.	22.6	[illegible]		
Bell 4				
Fixed Int Dep Acc.	28.3	[illegible]		
Equity Acc	25.3	[illegible]		
Property Acc.	22.9	[illegible]		
Far East Acc.	20.3	[illegible]		
European Acc.	21.6	[illegible]		
Managed Acc.	25.6	[illegible]		
Overseas Acc.	25.7	[illegible]		
Gilt Acc.	30.6	[illegible]		
Am Equity Acc.	27.0	[illegible]		
Am Managed Acc.	26.3	[illegible]		
Am Property Acc.	20.9	[illegible]		
High Income Acc.	22.6	[illegible]		
High Income Ser 2	22.5	[illegible]		
Pension Funds				
F.I. Dep. Cap.	374.3	394.1		
F.I. Dep Acc	716.2	753.9		
Prop Cap.	494.4	520.4		
Prop. Acc	1046.3	1101.4		
Man. Cap	821.3	864.5		
Man. Acc.	1738.5	1830.0		
Gilt Edged Cap.	384.5	404.7		
Gilt Edg Acc	663.6	698.5		
Eq. Cap	1313.4	1382.5		
Eq. Acc.	2105.2	2216.0		
Am. Eq Cap.	170.6	179.6		

	Bid Price	Offer Price	Yield Gross	City-line
Century Life Plc – Contd.				
Pension Funds				
Managed Capital	67.1	70.7	–	44378
Managed Accum	97.3	102.4	–	44379
Property Capital	67.9	71.5	–	44380
Property Accum	98.3	103.5	–	47627
Equity Capital	96.5	101.6	–	44381
Equity Accum	139.8	147.2	–	47624
Intl Capital	62.7	66.0	–	44382
Intl Accum	90.8	95.6	–	47626
Fxd Int Capital	123.5	130.0	–	44383
Fxd Int Accum	178.7	188.1	–	47625
Deposit Capital	122.2	128.6	–	44384
Deposit Accum	177.0	186.4	–	47623

	Bid Price	Offer Price	Yield Gross	City-line
Equitable Life Assurance Society				
Walton St, Aylesbury Bucks HP21 7QW				0296 393100
European	119.4	125.7	–	42198
Far Eastern	279.7	294.4	–	42199
Fd of Inv Tsts	221.7	233.4	–	42200
Gilt & Fixed Int.	177.3	186.6	–	42201
High Income	249.1	262.2	–	42202
Intnl Growth	141.8	149.3	–	42203
Managed	178.2	187.6	–	42204
Money	165.2	173.9	–	42205
North American	162.8	171.4	–	42206
Pelican	204.5	215.0	–	42207
Property	172.8	181.9	–	42208
Smaller Companies	114.5	120.5	–	44076
Special Sits	169.2	178.1	–	42209

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Administration(z)				
3 Finsbury Ave, London, EC2 M2PA				071-638 5757
UK Equity	291.9	310.6	–	42476
Fixed Interest	64.7	68.9	–	42477
N. America	244.3	259.9	–	42482
Far East	324.5	345.3	–	42483
Global Managed	306.0	325.6	–	42484
Deposit	210.2	221.3	–	42485
Prime Res.	132.6	139.6	–	42486
European	181.5	193.1	–	42489
Pension Funds				
UK Equity	320.3	340.8	–	42493
Fixed Interest	232.0	246.9	–	42494

	Bid Price	Offer Price	Yield Gross	City-line
Life Association of Scotland				
113 Dundas St, Edinburgh EH3 5EB				031-550 5000
LAS Investment Assurance				
Managed Fund	250.7	263.9	–	42674
UK Equity	421.3	443.4	–	42675
Property	278.8	293.5	–	42676
Money Market	231.6	243.8	–	42677
Fixed Interest	270.1	284.4	–	42678
Japan	210.6	221.7	–	42680
North America	117.4	123.6	–	42681
International	193.8	205.1	–	42682
European	188.3	198.3	–	42684
Far East	74.0	77.9	–	42685
Pension Funds				
Managed	173.1	182.3	–	42688

	Bid Price	Offer Price	Yield Gross	City-line
NEL Britannia Assce Co Ltd – Contd.				
Specialist Funds				
Barings Convertibles	103.4	108.8	–	45279
Barings Eastern	113.0	118.9	–	45280
Barings Equity Income	90.0	94.7	–	45282
Barings European Growth	106.9	112.5	–	45281
Barings German Growth	99.4	104.6	–	45284
Barings Japan Growth	75.2	79.2	–	45285
Barings UK Smllr Cos	96.2	101.3	–	45347
Fidelity 1992 Euro Opps	99.4	104.6	–	45286
Fidelity American	111.4	117.3	–	45288
Fidelity Amer Sp Sits	121.5	127.9	–	45287
Fidelity Asian	114.6	120.6	–	45348
Fidelity European	90.8	95.6	–	45342
Fidelity Euro Inc	100.2	105.5	–	45349

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Sun Alliance Group

St Mark's Court Horsham 0403 232323

Life Funds

	Bid Price	Offer Price	Yield Gross	City-line
Managed	455 4	479 4	-	44201
Deposit	268.2	282.4	-	44209
Equity	624.9	657 8	-	44202
Equity Income	147 5	155.3	-	44214
European	107 4	113 1	-	44213
Far East	120.8	127 2	-	44208
Fixed Interest	342.9	361.0	-	44203
Index Linked	245 7	258 7	-	44204
International	404.8	426 2	-	44206
North America	142.7	150 3	-	44207
Property	408.1	429.6	-	44205
Worldwide Bond	120.4	126 8	-	44210
Worldwide Financial	76 30	80 40	-	44211

Windsor Life Assur Co Ltd—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
High Inc Fixed Int.	128 1	134 8	-	44412
Hedge Fund	302 5	318 4	-	44413
Index-Linked Gilt	163 4	172 0	-	44414
Initial Pen Units	287 7	302 8	-	44415
Investor Units	244 9	257 8	-	44416
Khai Kay (Managed)	518 7	534 8	-	44417
Nth Amer Fd	201 5	212 1	-	44418
Open Plan Mngd Fd	156 6	164 8	-	44419
Property	518 2	545 4	-	44420
Retail & Rvrs'ry Life	237 8	250 4	-	44421
Retail & Rvrs Pen Uts	133 1	133 1	-	44423
Takeover Fund	152 5	152.5	-	44424
Pacific	235 7	248 1	-	44425
UK Equity	218 3	229 8	-	44426
UK Tracker Accum (3)	118 1	124 3	-	43783
PAM UK Ground Rent	97 6	103 8	-	47138

Royal Life Intl. Ltd—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Royal Life Far East Fd	£0 741	0 797	-	45725
Royal Life Intl Gwth Fd	£0 770	0 828	-	45726
Royal Life Intl Prop	£1 865	2 006	-	46347
Analysis APM O/S Fd	£1 368	1 472	-	47383
Analysis Bal Inv Port	£1 044	-	-	47384
AS & Co Offshore Bal F	£0 931	1 002	-	45714
Lacomp Intl Fd	£1 428	1 473	-	45717
Young & Co Intl Port	£0 983	1 058	-	45729
YRA Growth Fd	£1 007	1 083	-	45730
YRA $ Growth Fd	$0 881	0 948	-	45731
YRA Special Opps	£0 798	0 854	-	47386
S A M 1	$1 505	1 585	-	47847
S A M 2	$1 387	1 460	-	47848
S A M 3	£1 463	1 541	-	47849
S A M 4	£1 427	1 503	-	47850

Fidelity Money Funds—Contd.

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Lire Accum		L-	16244		15.8	41386
Lire Dist		L-	15047xd		15 8	41427
NZ$ Accum		NZ$-	31 216		4 90	41544
NZ$ Dist		NZ$-	30 030xd		4.90	41545
SPta Accum		Pta-	1906 7		12 1	47960
SPta Dist		Pta-	1804.2xd		12 1	47961
£ Accum		£-	10 664		9 40	41546
£ Dist		£-	10 018xd		9 40	41547
SFr Accum		SFr-	26 292		7 40	41550
SFr Dist		SFr-	25 035xd		7 40	41574
US$ Accum		$-	20 438		2 50	41575
US$ Dist		$-	20 010xd		2 50	41576
Yen Accum		Y-	2574 4		3 30	41982
Yen Dist		Y-	2501 7xd		3 30	42701

Prices for dealing Aug 7

Lloyd George Management

41 Cedar Ave, Hamilton, Bermuda HK 852 8454433

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
World Success Aug 3		$-	9 8151		-	-

Newport Investment Management

73 Front Street, Hamilton Bermuda

UK 024 029 661 Guernsey 0481 714158

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Npt Iberia Fd	5	$-	0 7409		-	47525
Npt Intl Inc(10-1)	.3	$-	1 9207		-	45556

Newport International Management

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Npt Pacific (10-1)	.5	$-	3 0612		-	45557

Orion Fund Limited

6 Front St Hamilton, HM11, Bermuda 809 295 4000

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Orion Jul 31		$-	13 64		-	40409

CANADA (SIB RECOGNISED)

For Ivory & Sime Pembroke see GBC Asset Management

GBC Asset Management

UK Agent, Ivory & Sime Plc

One Charlotte Square, Edinburgh EH2 4DZ

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
GBC Nth America Gth Inc*		C$-	3.83		-	46748
Approx Stlg Equiv		£-	1 68		-	47933

*Dealing Thursdays—Forward Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 246, St Peter Port, Guernsey 0481 729021

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Eurosar £ (20-1)	5	£-	20.39	21 76		47526
(Accum Units) (20-1)	5	£-	20.51	21.89		47790
Eurosar SFr (20-1)	5	SFr-	51.59	55 07		47527
(Accum Units) (20-1)	5	SFr-	51.90	55.40		47791
GlobalSar-Fergus £	5	£-	13 72	14.57		45532
(Accum Units)	5	£-	14.26	15.15		44995
GlobalSar-Fergus US$	5	$-	26.30	27.95		44859
(Accum Units)	5	$-	27.34	29.04		45019
GlobalSar-Fergus SFr	5	SFr-	34 72	36.87		43808
(Accum Units)	5	SFr-	36 10	38.33		45012

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255 St Peter Port Guernsey 0481 710651

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European Bd $	3	[illegible]	[illegible]	[illegible]	8.58	44471
European Bond £	3	[illegible]	[illegible]	6 1192	8 58	47847

GUERNSEY (REGULATED)(**)

Adams & Nevile Fund Mngt (Guernsey) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Worldwest Emer Cos	$0.54	0 581	-	46314

Arab Bank Fund Managers (Guernsey) Ltd

ABL International Fund Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Managed Currency	$10 92	10 93xd	-	47941
International Bond	$11.11	11 14xd	-	47940

Bachmann Global Investment Fund Ltd

	Bid Price	Offer Price	Yield Gross	City-line
International Bond	$136 09	139 32	-	45807
Cash Gilt & Stlg Fxd Inc	£14 12	14 45	-	45821

Credit Suisse Asset Mnmgt (Guernsey) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Olympic Options Ltd	£9.3294	9 6195	-	40411
Olympic Options Intl Ltd	$10.77	11 12	-	47331

Dantrust Management (Guernsey) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Dantrust Limited	DKr116 2	116 41	-	44873

For Fipart-Consell see Hauteville Fund Managers

Hambros Fund Managers (CI) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Japanese OTC	56 4982	6 9156	-	43785

Hauteville Fund Managers (Guernsey) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Hauteville G & B Fd	SFr8.36	8 491	2 18	46845

Havelet Throgmorton Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Global Equity	£1 013	1 093	-	45230
Intl Inv-Stlg High Inc	£10 872	11 454	0.66	47649
Intl Inv-Intl High Inc	$51.467	54 285	4.91	47648

Henderson Admin. (Guernsey)

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Gwth $ Prtflo	$2 270	2 424	-	45226
Balanced Gwth £ Prtflo	£1 159	1 239	-	45227
Select Mkts $ Prtflo	$2 173	2 320	-	45228
Inc & Gwth $ Prtflo	$1 706	1 811	-	45229

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA – Contd.

Midland International Circuit Fund SICAV(a)

LUXEMBOURG (REGULATED)(**)

Eurecu Management S.A.

Europe Plus Investissement (SICAV) (a)

Europe Value Fund (a)

EurOptec (a)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

Global Asset Management – Contd.

Oday Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbis Investment Management Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Sterling in limelight

STERLING will take the limelight in foreign currency trading this week as a batch of indicators shows whether there are any signs of an economic upturn in the UK, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

Analysts believe that there are significant risks that the pound will break new ground in its descent against the D-Mark in forthcoming days. Last week's cut in interest rates on certain National Savings products unnerved sterling investors because it suggested to them that the government will not tighten monetary policy. July's fall in UK house prices also helped to bring sterling down to DM2.8247, its lowest point against the D-Mark since Britain joined the Exchange Rate Mechanism in October 1990.

A host of economic indicators this week may underline sterling's fundamental weakness. Thursday will be the most important day, bringing the unemployment figures for July and the industrial production number for June, both of which are likely to show the economy slowing down. Friday's Retail Prices Index for July may bring some relief, showing that inflation is under control.

Two factors may help save the pound's fall. The first is the threat of intervention by the Bank of England, and many analysts believe that the authorities will be waiting in the wings iof the piund falls below DM2.80.

Wednesday's weekly intervention by the Bundesbank in the German money market is also important. Although the threat of a Lombard rate rise has been put off, German call money is virtually at the Lombard rate level of 9.75 per cent. If the Bundesbank adds liquidity to the market, this may slow sterling's descent.

£ IN NEW YORK

Aug.7	Close	Previous Close
£ Spot	1.9290-1.9300	1.9150-1.9160
1 month	1.11-1.05pm	1.10-1.09pm
3 months	3.30-3.27pm	3.26-3.24pm
12 months	11.7-11.6pm	11.6-11.5pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.7	Previous
8.30 am	92.0	91.8
9.00 am	92.0	91.9
10.00 am	92.0	91.8
11.00 am	92.0	91.7
Noon	92.0	91.7
1.00 pm	92.0	91.8
2.00 pm	91.9	91.8
3.00 pm	92.0	91.8
4.00 pm	92.0	91.8

CURRENCY MOVEMENTS

Aug.7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	-20.2
U.S. Dollar	60.2	-18.2
Canadian Dollar	99.2	-2.5
Austrian Schilling	111.4	+13.0
Belgian Franc	113.3	-0.8
Danish Krone	111.7	+5.2
D-Mark	121.5	+26.9
Swiss Franc	109.9	+17.3
Dutch Guilder	116.4	+17.4
French Franc	106.5	-10.7
Lira	100.2	-19.2
Yen	136.3	+72.8
Peseta	108.4	-17.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.6

OTHER CURRENCIES

Aug 7	£	$
Argentina	1.9020 - 1.9050	0.9900 - 0.9910
Australia	2.5970 - 2.5990	1.3540 - 1.3550
Brazil	8233.80 - 8238.50	4285.10 - 4285.30
Finland	7.7300 - 7.7540	4.0300 - 4.0330
Greece	344.850 - 350.400	180.190 - 183.080
Hong Kong	14.8645 - 14.8785	7.7325 - 7.7335
Iran	2717.00*	1435.00*
Korea(Sth)	1498.45 - 1522.15	786.10 - 792.30
Kuwait	0.56450 - 0.56550	0.29380 - 0.29420
Luxembourg	58.20 - 58.30	30.15 - 30.25
Malaysia	4.8055 - 4.8175	2.4995 - 2.5005
Mexico	5764.50 - 5777.10	3101.00 - 3102.00
N.Zealand	3.5360 - 3.5415	1.8370 - 1.8395
Saudi Ar	7.1245 - 7.2015	3.7495 - 3.7505
Singapore	3.0935 - 3.1010	1.6105 - 1.6115
S.Af (Cm)	5.3225 - 5.3355	2.7680 - 2.7720
S.Af (Fn)	7.0255 - 7.0650	3.6495 - 3.6700
Taiwan	48.20 - 48.35	25.05 - 25.15
U.A.E.	6.9760 - 7.0530	3.6715 - 3.6735

*Floating rate. Iran Official rate:£121.35 $63.75

CURRENCY RATES

Aug 7	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.756635	0.720460
U.S Dollar	3.00	1.49965	1.38163
Canadian $	5.50	1.70771	1.65336
Austrian Sch	7.50	15.0587	14.3509
Belgian Franc	8.50	44.0821	41.9980
Danish Krone	9.50	8.29984	7.85592
D-Mark	8.75	2.14062	2.03914
Dutch Guilder	8.50	2.40983	2.29889
French Franc	10¼	7.22128	6.88878
Italian Lira	13.75	1619.10	1543.62
Japanese Yen	3.25	183.599	176.599
Norway Krone	-	8.42267	8.02586
Spanish Peseta	-	136.441	130.138
Swedish Krona	10.00	7.77565	7.40759
Swiss Franc	7.00	1.92049	1.82858
Greek Drach	19	N/A	2.03914
Irish Punt	-	N/A	0.766038

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug.6

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	105-28	106-04	104-20	105-04
Dec	104-22	104-30	103-18	103-31
Mar	103-17	103-23	102-14	102-27
Jun	102-12	102-16	101-23	101-23
Sep	101-10	-	-	100-22
Dec	100-10	100-12	99-29	99-23
Mar	99-13	-	-	98-27
Jun	98-19	-	-	98-02

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.7840	0.7844	0.7802	0.7828
Dec	0.7830	0.7831	0.7795	0.7820
Mar	0.7831	-	-	0.7822

DEUTSCHE MARK (IMM) DM125,000 $ per DM

POUND SPOT - FORWARD AGAINST THE POUND

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9100 - 1.9305	1.9290 - 1.9300	1.09-1.07cpm	6.72	3.28-3.25pm	6.77
Canada	2.2655 - 2.2830	2.2800 - 2.2810	0.98-0.89cpm	4.92	2.97-2.83pm	5.09
Netherlands	3.1780 - 3.1925	3.1825 - 3.1925	⅛cpm-par	0.24	⅜-⅛pm	0.39
Belgium	58.15 - 58.40	58.20 - 58.30	3-2cpm	0.52	12-7pm	0.65
Denmark	10.8850 - 10.9170	10.8975 - 10.9075	⅞-1½oredis	-1.03	1¾-3¼dis	-0.92
Ireland	1.0600 - 1.0650	1.0625 - 1.0635	0.07-0.04ppm	0.62	0.16-0.08pm	0.45
Germany	2.8225 - 2.8315	2.8225 - 2.8275	½-¼pfpm	1.59	1¼-1pm	1.59
Portugal	241.35 - 242.35	241.70 - 242.20	72-131cdis	-5.03	209-320dis	-4.37
Spain	180.10 - 180.95	180.10 - 180.40	50-55cdis	-3.50	144-156dis	-3.33
Italy	2134.30 - 2143.40	2138.75 - 2139.75	8-10liredis	-5.05	22-24dis	-4.30
Norway	11.1200 - 11.1630	11.1325 - 11.1425	⅛dis-⅛orepm	-	¼-1¼dis	-0.25
France	9.5245 - 9.5650	9.5500 - 9.5600	⅛pm-⅛cdis	-	½-¼pm	0.18
Sweden	10.2630 - 10.3010	10.2750 - 10.2850	1¾-2¼oredis	-2.41	5½-6½dis	-2.33
Japan	244.35 - 246.50	245.50 - 246.50	1⅜-1⅛ypm	6.10	3⅞-3⅝pm	6.20
Austria	19.87 - 19.97	19.91 - 19.94	¾-¼gropm	0.34	3¼-1pm	0.41
Switzerland	2.5285 - 2.5430	2.5300 - 2.5400	½-¼cpm	1.48	½-¼pm	0.69
Ecu	1.3880 - 1.3905	1.3890 - 1.3900	0.07-0.11cpm	0.78	0.17-0.23dis	-0.58

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.29-6.24pm 12 Month 11.63-11.53pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9100 - 1.9305	1.9290 - 1.9300	1.09-1.07cpm	6.72	3.28-3.25pm	6.77
Ireland†	1.7995 - 1.8145	1.8135 - 1.8145	1.15-1.12cpm	7.51	3.32-3.25pm	7.24
Canada	1.1810 - 1.1850	1.1820 - 1.1830	0.16-0.19cdis	-1.78	0.48-0.53dis	-1.71
Netherlands	1.6510 - 1.6685	1.6510 - 1.6520	0.90-0.93cdis	-6.65	2.70-2.75dis	-6.60
Belgium	30.15 - 30.50	30.15 - 30.25	15.00-17.50cdis	-6.46	46.5-51.0dis	-6.46
Denmark	5.6475 - 5.6950	5.6475 - 5.6525	3.67-3.87oredis	-8.01	10.90-11.40dis	-7.89
Germany	1.4640 - 1.4835	1.4640 - 1.4650	0.80-0.81pfdis	-6.60	2.41-2.43dis	-6.61
Portugal	125.40 - 126.20	125.45 - 125.55	120-127cdis	-11.81	350-370dis	-11.47
Spain	93.55 - 94.55	93.60 - 93.70	79-83cdis	-10.38	237-245dis	-10.29
Italy	1108.50 - 1119.50	1108.50 - 1109.00	10.30-11.30liredis	-11.69	31.00-32.00dis	-11.36
Norway	5.7700 - 5.8265	5.7700 - 5.7750	3.30-3.50oredis	-7.07	10.10-10.60dis	-7.17
France	4.9500 - 5.0015	4.9500 - 4.9550	2.84-2.89cdis	-6.94	8.68-8.78dis	-7.05
Sweden	5.3225 - 5.3835	5.3250 - 5.3300	4.10-4.25oredis	-9.40	12.40-12.75dis	-9.44
Japan	127.40 - 128.00	127.40 - 127.50	0.07-0.08ydis	-0.71	0.19-0.20dis	-0.61
Austria	10.3825 - 10.4125	10.3825 - 10.3875	5.55-5.90grodis	-6.62	16.35-17.35dis	-6.49
Switzerland	1.3120 - 1.3305	1.3130 - 1.3140	0.55-0.56cdis	-5.07	1.69-1.71dis	-5.18
Ecu	1.3765 - 1.3920	1.3910 - 1.3920	0.88-0.86cpm	7.50	2.57-2.54pm	7.34

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK Treasury Bills and Bonds

Aug.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.75-9.85	9.75-9.85	9.75
Paris	9⅞-9⅞	9⅞-10⅛	10⅛-10⅜	10⅛-10⅜	10¼-10⅜	9.60
Zurich	7⅞-8⅛	8¼-8½	-	8¼-8½	-	-
Amsterdam	9.68-9.75	9.58-9.66	-	9.58-9.66	-	-
Tokyo	4⅛-4⅜	4⅛-4¼	-	-	-	-
Milan	14⅞	14⅞-15	-	14⅝-14⅞	-	-
Brussels	9.43-9.56	9⅞-9⅞	-	9⅝-9⅞	-	-
Dublin	10⅛-10¼	10⅜-10⅝	10⅜-10⅝	10⅜-10⅝	10⅜-10⅝	-

LONDON MONEY RATES

Aug 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	9⅝	10⅛	10¼	10⅜	10⅞
Interbank Bid	8½	9⅜	9⅞	10⅛	10¼	10⅜
Sterling CDs	-	-	10⅛	10⅛	10⅜	10⅜
Local Authority Deps.	9⅞	9⅞	10⅛	10¼	10⅜	10⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	9½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10	10⅛	10¼	10⅝
Treasury Bills (Buy)	-	-	9¾	9⅞	9½	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.26	3.28	3.36	3.52
SDR Linked Dep. Offer	-	-	6⅛	6⅜	6⅛	6⅜
SDR Linked Dep. Bid	-	-	5⅞	6⅛	6⅛	6⅛
ECU Linked Dep. Offer	-	-	11⅛	11⅛	11⅛	10⅞
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10⅞

Treasury Bills (sell); one-month 9⅞ per cent; three months 9⅝ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9¾ per cent; Treasury Bills; Average tender rate of discount 9.6202 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I: 11.27 p.c., Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	July 31	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.28	88.18	88.26	88.26	88.35	88.31	89.75	85.11	127.4	49.18
Fixed Interest	105.11	105.10	105.09	105.13	105.00	105.14	106.26	97.15	106.26	50.53
Ordinary	1753.3	1774.2	1791.5	1804.0	1814.8	1803.8	2149.7	1753.3	2149.7	49.4
Gold Mines	88.7	86.6	86.9	86.6	89.3	90.9	160.6	83.6	734.7	43.5
FT Act All-Share	1119.23	1131.71	1138.88	1146.41	1151.28	1143.14	1326.36	987.46	1326.36	61.92
FT-SE 100	2350.1	2377.6	2392.8	2407.5	2420.2	2399.6	2737.8	2348.0	2737.8	986.9
FT-SE Eurotrack 100	1067.01	1078.71	1081.21	1076.44	1069.17	1087.77	1199.58	1052.53	1199.58	900.45
FT-SE Eurotrack 200	1088.80	1101.65	1106.98	1107.46	1104.81	1101.07	1248.79	1087.01	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS - Cont.

Index-Linked

OTHER FIXED INTEREST

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BASE LENDING RATES

	%
Adam & Company	10
Allied Trust Bank	10
AIB Bank	10
● Henry Ansbacher	10
B & C Merchant Bank	10.5
Bank of Baroda	10
Banco Bilbao Vizcaya	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Brit Bk of Mid East	10
● Brown Shipley	10
CL Bank Nederland	10
Citibank NA	10
City Merchants Bank	10
Clydesdale Bank	10
Co-operative Bank	10
Coutts & Co	10
Credit Lyonnais	10
Cyprus Popular Bk	10
Dao Heng Bank Plc	11
Duncan Lawrie	10
Equatorial Bank plc	10
Exeter Bank Limited	10.5
Financial & Gen. Bank	10
● Robert Fleming & Co.	10
Robert Fraser & Ptnrs.	10.5
Girobank	10
● Guinness Mahon	10
Habib Bank AG Zurich	10
● Hambros Bank	10
Hampshire Trust Plc	13.5
Heritable & Gen Inv Bnk.	10
● Hill Samuel	10
C. Hoare & Co.	10
Hongkong & Shanghai	10
Julian Hodge Bank	10
● Leopold Joseph & Sons	10
Lloyds Bank	10
Meghraj Bank Ltd	10
McDonnell Douglas Bnk	10
Midland Bank	10
Mount Banking	10
NatWestminster	10
Northern Bank Ltd	10
Nykredit Mortgage Bank	10.5
Provincial Bank PLC	14
● Rea Brothers	10
Roxburghe Bank Ltd.	11
Royal Bk of Scotland	10
● Smith & Williams Secs.	10
Standard Chartered	10
TSB	10
Unibank plc	10
● United Bk of Kuwait	10
Unity Trust Bank Plc	10
Western Trust	10
Whiteaway Laidlaw	10
Yorkshire Bank	10

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price	Wk% £ change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	16xd	2.4	80c	FeMyAuNv	18.7	1503
♥Allegheny & W.		320p	—	30c	—	—	—
Amdahl		718p	-1.6	10c	NvMrJeAu	31.1	—
Amer Cyanamid		32¼	—	$1.65	MrJeSeDe	4.8	—
Amer Express		11⅝xd	-2.6	$1.00	FeMyAuNv	23.6	1594
Amer T & T		22⅞xd	0.3	$1.32	FeMyAuNv	27.3	1597
Ameritech		36¼	—	$3.52	FeMyAuNv	28.3	—
BankAmerica		23⅞xd	2.0	$1.20	FeJeAuDe	19.6	1744
Bankers NY		32½xd	2.0	$2.84	ApJyOcJa	27.12	1745
Bell Atlantic		24⅞	1.0	$2.60	FeMyAuNv	4.7	—
BellSouth		27⅝	0.5	$2.76	FeMyAuNv	5.4	—
♥Bethlehem Steel		7xd	-6.9	—	MrJeSeDe	8.2	1821
Bowater		1030pxd	-2.4	$1.20	OcJaApJy	9.3	1884
CPC	h	25xd	-5	$1.28	JaApJyOc	25.6	2263
♥Cadiz Land Inc		142p	—	—	—	—	—
California Engy		686p	0.3	—	—	—	—
Campbell Soup		18⅞xd	-3	78c	OcJaApAu	2.7	2050
Chase Manhattan		12⅞xd	-2.4	$1.20	FeMyAgNv	24.7	2109
Chrysler		11⅛xd	-1.1	60c	ApJyOcDe	17.6	2135
Citicorp		16⅜xd	1.2	—	—	23.10	2141
Colgate-Palm		27¼xd	—	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		939p	2.8	60c	DeMrJeSe	31.5	—
Dana		21xd	-9	$1.60	MrJeSeDe	28.8	2306
Data General		448p	-7.6	—	—	—	—
♥Decora Inds		121p	—	—	—	—	—
Dun & Brad		30½	0.4	$2.28	MrJeSeDe	13.2	—
Eaton		41⅛	0.2	$2.20	FeMyAuNv	2.2	2410
Echlin		10⅛xd	2.5	70c	JaApJyOc	30.6	3046
FPL		19¾xd	1.0	$2.44	MrJeSeDe	20.5	—
Fluor		20⅝	-1.5	40c	JaApJyOc	18.8	2609
Ford Motor		21⅞xd	-3.0	$1.60	MrJeSeDe	28.7	2615
Gen Elect		39½xd	-9	$2.36	JaApJyOc	3.6	2575
♥General Host		470p	1.5	34c	—	13.12	—
Gillette		27⅞xd	1.2	72c	MrJeSeDe	29.7	2695
Hasbro		16½	3.1	20c	JaApJyOc	1.6	—
Honeywell		34¼xd	-1.1	$1.85	MrJeSeDe	28.5	2919
Houston Inds		22⅝	-2.1	$3.00	MrJeSeDe	16.11	—
IBM		46⅞xd	-6.6	$4.84	MrJeSeDe	7.8	2966
Ingersoll-Rand		15¼	5.2	78c	MrJeSeDe	14.5	2979
Lockheed		26	1.0	$2.12	MrJeSeDe	16.2	—
Lowe's	h	1233p	1.6	28c	JaApJyOc	11.7	—
Merrill Lynch		26⅞xd	-9	$1.20	FeMyAuNv	30.4	3351
Morgan (JP)		31⅛	0.4	$2.16	JaApJyOc	17.8	3418
Morris (Philip)		42¼xd	2.7	$1.72	JaApJyOc	10.6	5161
NYNEX		42⅞	-9	$4.64	FeMyAuNv	27.6	4740
Pall		14¼	-1.7	36c	FeMyAuNv	24.1	—
Pennzoil		25¼xd	-7	$3.00	MrJeSeDe	28.5	3630
Quaker Oats		36⅝xd	2.9	$1.72	JyOcJaAp	23.6	3738
Rockwell		13½	4.6	92c	MrJeSeDe	13.5	3647
Rep NY		22⅞xd	-2.2	$1.06	JaApJySe	18.6	3914
Sears, Roebuck		20⅞xd	-1.2	$2.00	JaApJyOc	28.5	5191
Sthwestern Bell		34⅛	-4	$2.92	MyAuNvFe	4.7	—
Sun Co		12⅝xd	-2.1	$1.80	MrJeSeDe	5.8	4135
Tenneco		19⅞xd	-3.8	$1.60	MrJeSeDe	20.5	—
Texaco		32⅝xd	1.2	$3.20	MrJeSeDe	30.7	4200
Time Warner		54⅞xd	-1.6	$1.00	MrJeSeDe	28.5	4234
♥Unilab		347p	—	—	—	—	—
Utd Tech		29⅞xd	0.4	$1.80	MrJeSeDe	19.6	4381
♣URS Intl. 1c		0⅜p	—	—	—	—	4364
US West		20	-3.0	$2.12	FbMyAuNv	14.4	—
Varity		1011p	2.7	—	—	11.77	—
Waste Manage		17¼xd	-2.9	52c	ApJyOcJa	12.6	4439
Whirlpool		2088pxd	-5	$1.10	MrJeSeDe	4.9	—
♥Woolworth		16⅞	2.1	$1.12	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price	Wk% £ change	Div gross	Dividends paid	Last xd	City line
♥Abbot Energy		1¼p	—	—	—	—	—
Amer Barrick		1560p	3.6	18c	Jun Dec	—	—
Bk Montreal		20⅞	-3.3	$2.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1003p	-2.1	92c	JaApJeOc	30.6	1017
♥BC Gas		678p	-5.4	60c	FeMyAuNv	30.12	—
BCE		26⅞	0.6	$2.60	ApJyOcJa	12.6	—
♥Brascan		750p	2.3	$1.04	JaApJyOc	28.10	—
♥Breakwater		18p	5.6	10c	—	—	—
Can Imp Bk		1240p	1.3	$1.32	FeAgAuNv	28.6	1037

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

Net asset values shown are for 6/8/92.

INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

Net asset values shown are for 6/8/92.

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

TEAS

MINES

MINES - Cont.

	Notes	Price	W'k's chng	Div net	Div cov	Dividend paid	Last xd	City line
Homestake $		£7⅛xd	0.6	029c	–	FeJaAuMy	30.7	2918
‡‡Ivernia West IE		33	–2.9	–	–	–	–	–
‡‡Kells Mins IE		14	–17.6	–	–	–	–	8741
Kenmare		2½	—	–	–	–	–	1453
Malinga Res		22½	–13.6	–	–	–	–	–
‡‡Navan Res IE		23½	—	–	–	–	–	1185
North West Expl A$		3	—	–	–	–	–	–
Oryx Gold $		56	—	–	–	–	–	3896
Plateau		3½	—	–	–	–	–	3487
RTZ		555	–2.8	18.5	1.7	Dec Jul	23.3	3980
Vizcaya		1¾	—	–	–	–	–	4193
Western & Pac C$		13½	3.8	–	–	–	–	–
Young Grp	$	16	—	2.8	2.5	–	9.90	5869

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- ✝ Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other offical estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax.

z Dividend includes a special payment. Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other offical estimates for 1990-91. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other offical estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other offical estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

FT Share Service

The following changes have been made to the FT Share Information Service

Additions. Vega (Section: Electronics); Contra-Cyclical Inv. (Income, Capital and Zero Div Prf. shares); Tyndall Australia Ord. and Options (Other Financial); Sappi (Pckg. & Paper) and Molopo Australia (Mines). Deletions: Anheuser-Busch (Brews. & Distillers); Microlec (Electronics); Dowty (Eng. Aerospace); Goodman Fielder Wattie (Food Manufacturing); WPP 8½pc Cnv Prf. (Media); Lon. & Edinburgh 8¾pc Cm Prf. 2013 (Property) and South African Land (Mines).

4:00 pm prices August 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅝	11⅞	AAR Corp x	0.48	3.7	20	511	13	12⅞	12⅞	
26	18	A L Labs A	0.18	0.9	72	73	20⅝	20⅛	20⅛	-½
66¾	52⅝	AMP Inc x	1.52	2.8	21	1026	55½	54¾	54⅞	-⅝
80¼	60⅞	AMR				224633	62¼	61¼	61½	+⅛
2⅛	1⅛	ARX			2	4	1⅝	1⅝	1⅝	
53½	38¼	ASA	2.00	5.0	26	467	40⅛	39⅞	40	+¼
34¼	26¼	Abbott Lab	0.60	2.0	21	9124	31⅛	30⅛	30½	-¼
13⅞	12	Abitibi Pr	0.50	3.7	7	24	13½	13½	13½	+⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.4		207	11⅜	11¼	11⅜	+⅛
10⅜	9⅛	ACM GvOpp	0.80	8.1		72	9⅞	9¾	9⅞	+⅛
9½	8½	ACM Gvt Sp x	0.82	8.9		61	9⅛	9¼	9¼	-⅛
11¼	10⅛	ACM Gvt Se	0.96	8.8		239	11	10⅞	10⅞	
10¼	8⅝	ACM Man	0.86	3.7		354	u10¼	10⅛	10⅛	
12⅞	10⅝	ACM Managd	0.99	8.9		213	11¼	11⅛	11⅛	
11¾	4¾	Acme Clev x	0.40	5.8	13	140	7	6⅞	6⅞	-⅛
6¼	4⅞	Acme Elect			4	25	4⅝	4½	4⅝	
33¼	18⅛	Acuson			12	939	18⅞	18½	18¾	+¼
19½	18⅛	Adams Expr	1.63	8.5	0	25	19⅛	19	19⅛	
49⅛	29½	Ad Micro	3.00	8.6		82	35	34¾	35	+¼
21½	7½	Ad Micro P	3.00	32.0		35770	9⅜	9¼	9⅜	
9⅛	6	Advest Grp	0.16	2.8	60	202	5⅝	5½	5⅝	+¼
37⅞	33	Aegon ADR	1.68	4.5	6	8	37	37	37	
47	38¾	Aetna Lf x	2.76	6.5	11	1273	43	42⅝	42¾	-⅛
12¾	8¾	Affil A	0.24	2.0	14	439	12⅛	12	12⅛	-¼
34	24	Aflac	0.44	1.3	18	1277	33¼	32⅝	33¼	+½
19⅝	15⅛	Ahmanson x	0.88	5.2	7	1301	17¼	16¾	17	-⅛
22½	6¾	Aileen Inc			5	37	6⅛	6	6	-⅛
49½	36½	Air Pr Chm	0.88	2.1	17	3190	42½	41¾	41⅞	-½
29¾	12½	Airbrne Frt	0.30	2.3	25	192	13¾	13¼	13¼	-¼
34¼	22⅝	Airgas Inc			25	42	30½	29¾	30⅛	-⅛

- B -

- C -

- D -

- E -

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- H -

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	68½	Xerox	3.00	4.0	18	1220	76⅛	74¼	74⅞	-¼
53½	50½	Xerox4.125				3	53⅛	53⅛	53⅛	
31½	24⅞	Xtra 1.94	1.94	6.3		350	31	30¾	30¾	
42¼	28½	Xtra Corp	0.80	2.0	14	177	40¾	40⅝	40¾	+⅛
29½	25¼	Yankee Egy	1.66	5.7	13	27	29¼	29	29⅛	
1½	½	Zapata			25	139	1⅛	1	1	-⅛
11⅛	6¾	ZenithElec			4	1217	7¼	6⅞	6⅞	-¼
19½	14½	Zenith Nat x	1.00	5.5	8	302	18⅜	18	18¼	-⅛
7⅞	6	Zenix Inc	0.82	11.3		201	7¼	7⅛	7¼	-⅛
13¾	10	Zero Corp x	0.40	3.2	19	106	12⅜	12	12⅜	+½
38	27¼	Zurn Ind	0.88	2.9	33	335	30½	29⅞	30⅛	-⅛
14⅛	12	Zweig Fund	1.15	8.9		91	13	12⅞	12⅞	-⅛
11	9½	Zweig Totl x	0.96	9.0		879	10⅝	10½	10⅝	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 7

NASDAQ NATIONAL MARKET

4:00 pm prices August 7

MONDAY INTERVIEW

Premier Democrat on Wall St

Robert Rubin, co-chairman of Goldman, Sachs, speaks to **Martin Dickson**

The name Robert Rubin has suddenly become one to bandy about on the Washington dinner party circuit.

Bob Rubin is co-chairman of Goldman, Sachs, one of America's leading investment banks, and he is that rare (though not unique) phenomenon on overwhelmingly Republican Wall Street – an industry leader who is also a lifelong supporter of the Democratic party.

His new-found celebrity beyond the canyons of lower Manhattan stems from the significant behind-the-scenes role he is playing in the election campaign of Mr Bill Clinton, the Democratic presidential nominee.

It was Mr Rubin, a New Yorker born and bred, who chaired a city committee which persuaded the (initially reluctant) Democratic party to stage its national convention in the Big Apple. The same committee then worked to insure that last month's convention took place in a suitably upbeat civic atmosphere. Given New York's volatile nature, it could have been a disaster. In the event, it was a triumphant affirmation of the power of planning, positive thinking and good luck.

Mr Rubin has a continuing role in the Clinton campaign. He is one of a handful of academics and financiers advising Mr Clinton's staff on economic policy issues and preparing the nominee for the autumn's important face-to-face debates with President George Bush.

All this means that Mr Rubin, who pinned his colours to the Clinton mast long before the presidential primaries began, is being quietly tipped as a leading contender for Treasury secretary if the Democrats win in November.

He dismisses such tattle as "media discussion which is probably irrelevant to what ultimately happens". But even in his present capacity he would have some influence on the financial policies of a Democratic administration.

Mr Rubin is 53, but looks much younger – a neat fit with the youthful Clinton-Gore image. He has a manner both more cerebral and informal than often found on Wall Street. Lean, quietly spoken and with a rather sad-eyed look, he inhabits a modest office notable mainly for its untidy clutter of papers.

When Mr Rubin was recently in hospital having a back operation, his wife Judith, an adviser to New York Mayor David Dinkins on protocol matters, took charge of his office and cleaned it up. Mr Rubin jokes that he was "not exactly wild" about the change.

So why is he a Democrat? He cites two main factors, one of the heart and one of the head. The first is his family background. His father was a successful and socially concerned New York lawyer, while a grandfather was a Democratic leader in the city's Brooklyn borough, back in the days when local politicians wielded immense powers of patronage.

"When I was a kid," he recalls, "my mother used to tell me these stories about him – how the mayor would come over and they would all meet in the basement and decide who the judges were."

The second factor is his set of political beliefs. He describes himself as "very pragmatic" on most economic policy issues, while on social affairs he tends to be a centrist. "But I'm a lot more comfortable trying to work out a compromise position between there and people who are more liberal than I am than between there and people who are more conservative."

But how does he square the fact that Wall Street lives and breathes by the interplay of free and transparent markets, while the Democrats have traditionally been seen as the party of intervention and regulation?

Mr Rubin is not sure he would accept this description of the Democrats, maintaining that President Jimmy Carter initiated airline deregulation and talked of "sunsetting" all regulations, though he did not act on this. Wall Street's self-interest, he adds, lies in having policies which will lay the foundations for long-term US economic success.

This is what he sees as the central electoral issue in a country which "has been very self-confident for a long time, but is now a country with a lot of doubt and anxiety".

"All the polls show there is a broad-based perception among the American people that this country has serious, long-term structural issues which, if not faced, are going to result in our continuing to have unsatisfactory economic performance. I think the campaign is about who is going to best recognise and address those issues."

Naturally, he thinks Mr Clinton is that person. But how does Mr Rubin respond to the widespread belief on Wall Street that the numbers do not add up in the centrepiece of the Democrats' economic plans – a huge investment in the nation's human and infrastructural capital while gradually reducing the federal budget deficit. Sceptics say the investments cannot be achieved without increasing the deficit, or raising taxes on the middle class, or both.

He acknowledges that people can argue with the numbers, but adds that "as long as you have a trend down (in the deficit) and you're also engaged in a lot of other constructive programmes, I think you're going to be doing a lot that's very good for the economy."

'The US is a country with a lot of doubt and anxiety'

PERSONAL FILE

- **1938** Born in New York City. Educated at Harvard, London School of Economics and Yale Law School.
- **1964** Attorney in New York with Cleary, Gottlieb, Steen & Hamilton.
- **1966** Joins Goldman, Sachs.
- **1987** Appointed vice-chairman and co-chief operating officer.
- **1990** Appointed co-chairman.
- **1992** Chairman, New York Host Committee for the 1992 Democratic convention.

This guardedly bland response contrasts with the sudden, and unexpected, passion with which he addresses what he thinks is "absolutely one of the most critical domestic issues" facing America – how to "break the cycle of poverty and disaffection" in the nation's urban ghettoes. It is, he says, "an issue a lot of people just don't want to face".

His response may seem a little surprising. Compassion for society's underdogs would not seem to be a big Wall Street pre-occupation. That said, a number of Wall Street firms run programmes which encourage employees to act as mentors for the urban poor, providing help and advice to young people, and Goldman is prominent in the movement.

Mr Rubin says that, apart from the obvious benefits of the scheme, "it also gives our people a sense of life beyond Wall Street, which I think is a very, very healthy thing".

By any measure Goldman has for years been one of Wall Street's most successful investment banks. So what makes Goldman tick?

He thought that the most important factor was a strong corporate culture which laid a heavy emphasis on teamwork and eschewed personal aggrandisement. He says this matter-of-factly, without boy-scoutish airs, and many analysts say it reflects a truth about the firm, the last big Wall Street house to remain a private partnership.

Goldman's teamwork even extends to its unique practice of having two chairmen for the group. Mr Rubin shares the job with Mr Stephen Friedman (a Republican, incidentally) and says it is an "extraordinary source of strength. If a co-chairmanship works, one plus one equals far more than two."

It works in Goldman's case, he explains, because the two men have both been with the partnership for about 25 years and share similar views on policy matters. "Neither of us," he adds, "has an ego structure that is invested in the notion of being a chief executive officer."

There are a fair number on Wall Street, jealous of Goldman's success, who would enjoy seeing it fall on its face. These are the people who quietly delighted last year in its embarrassment over its share trading connections with the late Mr Robert Maxwell – a subject Mr Rubin declines to address for legal reasons.

Linked to these feelings is the widespread belief that most large securities houses with a long run of success are likely to succumb eventually to the sin of hubris – the pride that comes before a tragic fall. Salomon Brothers, enmeshed last year in a bond trading scandal, is just the latest example.

So how does Goldman guard against such tendencies? Mr Rubin quotes his co-chairman, Mr Friedman, who once remarked that "ego was the seminal sin of the 80s" on Wall Street. That, says Mr Rubin, is "one hell of a good phrase".

He says Goldman will always be prone to individual problems – because that is the nature of a large organisation. But the firm's culture is designed to discourage "people who feel too full of themselves". The message from top is that "when you start to believe in your own infallibility is when you really are in big trouble".

It is a message that might also serve the Clinton campaign well in the run-up to November as it reflects on its remarkable lead in the polls.

The David Owen of US politics

MICHAEL PROWSE on America

In a cheeky editorial, The Economist recently drew a parallel between Mr Bill Clinton, the Democratic presidential candidate, and Mr Neil Kinnock, the former opposition leader in the UK. Mr Kinnock led a new-look Labour party to resounding defeat in the British general election despite having enjoyed a consistent lead in the opinion polls. The Economist suggested the same fate might await Mr Clinton and his exuberant Democratic supporters.

Scepticism about Mr Clinton's chances is advisable, despite his warm welcome in America's farm belt last week. President George Bush, a gritty fighter, is beginning to make combative speeches and will be lifted next week by the Republican party convention in Houston.

The analogy between the US Democrats and Labour, however, seems rather far-fetched. A better way to understand the choice facing Americans would be to imagine that the Conservatives had not dumped Margaret Thatcher and that the opposition parties had united under an articulate, personable leader such as Lord (formerly Dr David) Owen.

Britain, as in the US today, would then have faced a choice between an old, tired leader who could not escape responsibility for economic and social ills and a younger, more caring opponent whose commitment to market principles was not in doubt. If you think Dr Owen, at the helm of a merged Labour and Liberal Democratic party, could have won that contest, you should take Mr Clinton seriously.

The Republicans will try to discredit Mr Clinton by depicting him as an old-fashioned "liberal" (that is, left-wing) Democrat. Yet everybody knows he has been badgering his party to adopt more conservative policies for years. Broadly speaking, he favours the Germanic "social market" policies that Dr Owen and friends espoused in Britain in the early 1980s. (Mr Clinton even cites Germany in speeches on topics such as education and training.)

His remarkable climb in the highly unreliable opinion polls is fuelled by pessimism about the economy. The marginal decline in unemployment last month will do little or nothing to restore faith in Mr Bush's economic stewardship, which some regard as the worst since Herbert Hoover's disastrous pre-war presidency.

Mr Clinton also profits from Mr Bush's legendary difficulties with the English language. A master of rhetoric such as Gladstone was able to make a virtue out of social inaction; when Mr Bush tries to explain his urban or welfare policies, his contorted syntax merely prompts speculation that he suffers from aphasia.

At the Democratic convention in New York, Mr Clinton appeared to achieve a breakthrough on several levels. Like former president Ronald Reagan, he successfully projected himself as a product of small-town America. By talking not of his education at Yale and Oxford but rather of his grandfather's shop in Hope, Arkansas, his widowed mother and his upbringing in a home without an indoor toilet, he has made plausible his claim to understand the hopes and aspirations of the "forgotten" mass of middle and working class families. By contrast, Mr Bush, a product of New England prep schools, remains aloof and out of touch.

Equally important, Mr Clinton's has begun the task of articulating an economic and social philosophy that seems both broader and more relevant to America's modern needs than Mr Bush's. Mr Clinton has no quarrel with free enterprise, market forces or low taxes. Along with European social democrats, he merely believes these good things should be part of a more ambitious compact between government and the people.

The first item in his proposed "New Covenant" is improved incentives for enterprise. But he then moves on to tackle problems largely unaddressed in the past 12 years. Why, he asks, is America the only advanced nation without universally guaranteed health care? Why does the US provide virtually no skills training for non-college bound youngsters? Why has it allowed urban problems to fester to the point where cities such as Los Angeles explode in anger? In his stump speeches, Mr Clinton outlines his solutions and ends with a simple plea: give us a chance to show we can do better than the Republicans.

Mr Bush's challenge is to convince Americans not to give Mr Clinton that chance. In the unlikely event that Mr Bush sticks to his promise to fight the election on policy rather than character issues, he faces a tricky task. His own record is poor while Mr Clinton's social market philosophy has an innate appeal. At root Mr Clinton's argument is that other countries are gaining ground on the US because they are investing more effectively in their people. His emphasis on long-term structural reforms to raise the quality of America's workforce – its "human capital" – represents a new and exciting departure for the US where economic debate has usually had a shorter-term focus.

The right message for the times, sadly, is no guarantee of victory – as British social democrats can confirm. A united Democratic party led by Mr Clinton ought to have a better chance of unseating Mr Bush than Britain's disunited opposition had of toppling Mr John Major. However, with Mr Bush's offensive yet to begin, the Clinton lead could still evaporate like morning mist.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.08.92 Pool purchase price £/MWh	Final Prices for Trading on 12.07.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.64	19.94	21.24
0100	19.38	19.84	21.14
0130	17.70	19.41	20.70
0200	19.38	19.41	20.69
0230	19.39	19.41	20.69
0300	17.70	19.41	20.70
0330	17.70	19.41	20.70
0400	17.70	19.41	20.70
0430	17.70	19.41	20.73
0500	17.70	19.41	20.73
0530	17.45	19.97	21.30
0600	17.45	19.97	21.30
0630	17.44	19.97	21.30
0700	17.44	19.97	21.30
0730	17.45	19.97	21.28
0800	17.64	20.39	21.71
0830	20.27	20.39	21.70
0900	20.27	20.73	22.05
0930	22.22	22.40	23.78
1000	20.99	22.45	23.82
1030	24.50	25.10	26.55
1100	24.50	25.89	27.38
1130	26.82	27.98	29.49
1200	27.99	28.00	29.50
1230	27.99	28.00	29.46
1300	27.99	28.00	29.47
1330	27.99	28.00	29.51
1400	24.50	25.89	27.37
1430	22.46	23.51	24.91
1500	20.99	23.51	24.92
1530	20.41	20.73	22.04
1600	17.71	22.45	23.83
1630	20.41	22.45	23.83
1700	20.41	20.73	22.04
1730	20.99	23.51	24.93
1800	20.99	23.51	24.93
1830	20.99	22.45	23.83
1900	22.46	23.51	24.93
1930	22.46	23.51	24.95
2000	20.99	23.51	24.93
2030	22.18	23.51	24.95
2100	23.23	23.51	24.93
2130	27.99	27.98	29.57
2200	27.99	27.98	29.53
2230	27.99	28.00	29.52
2300	27.99	28.00	29.55
2330	17.95	24.79	26.27
2400	17.76	19.30	19.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.08.92 Pool purchase price £/MWh	Final Prices for Trading on 13.07.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.71	17.76	17.76
0100	17.71	17.70	17.70
0130	17.71	17.70	17.70
0200	17.70	17.70	17.70
0230	17.70	17.70	17.70
0300	17.70	17.70	17.70
0330	17.64	17.70	17.70
0400	17.64	17.70	17.70
0430	17.64	17.70	17.70
0500	17.58	17.64	17.64
0530	17.51	17.94	17.94
0600	17.51	17.64	17.64
0630	17.56	17.64	17.64
0700	19.95	22.03	23.23
0730	21.87	24.14	25.40
0800	24.66	25.22	26.47
0830	26.24	25.92	27.14
0900	26.90	28.04	29.31
0930	28.07	28.10	29.36
1000	28.09	28.14	29.38
1030	28.09	28.16	29.37
1100	26.95	28.17	29.36
1130	26.96	28.21	29.42
1200	28.13	28.25	29.44
1230	28.12	28.22	29.41
1300	28.08	28.15	29.34
1330	26.89	28.06	29.24
1400	26.87	28.04	29.22
1430	26.24	28.02	29.20
1500	26.02	28.02	29.20
1530	25.70	28.02	29.20
1600	25.26	28.06	29.24
1630	25.22	28.10	29.28
1700	24.78	28.14	29.31
1730	25.22	28.11	29.27
1800	25.22	28.04	29.22
1830	24.65	25.91	27.06
1900	23.86	25.27	26.42
1930	23.04	24.82	25.97
2000	22.38	24.27	25.42
2030	21.87	24.18	25.33
2100	25.11	27.50	28.76
2130	28.09	31.31	32.55
2200	28.09	33.59	34.84
2230	26.09	32.85	34.04
2300	25.11	31.31	32.86
2330	21.87	27.60	28.78
2400	20.20	21.57	22.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. [illegible]

Cloud over the legal system

JUSTINIAN

The lurid life and times of Ms Jani Allan, as portrayed at the Royal Courts of Justice during her unsuccessful libel action against Channel 4, may have been a piece of pure theatre, thanks in part to some colourful jury advocacy from fashionable Queen's Counsel. The case undoubtedly titillated the public palate, if the tabloid coverage is anything to go by. However, it possessed little of legal or public interest, as opposed to its interest to the newspaper reading public.

The case will slip into the record books purely as a rare contemporary success by the media defending their right to inform the public of the private antics of public figures. Yet, even though the case provides welcome relief to the media, which has been wailing consistently at being mulcted with every award of heavy damages for libel, it has done nothing to dispel the pervading cloud of costly libel litigation.

Reports that Miss Allan now faces a bill for legal costs of £300,000, whatever else, will not astonish the *cognoscenti* of the libel world. Those few cases of libel which survive the process of writ-serving and negotiations for settlements inevitably bring the high cost of legal assistance and representation.

The Lord Chief Justice is on record recently as saying that "legal fees in the private sector have gone too high" and that those who brief barristers should insist on moderating the fees paid. But even if the fees of the lawyers in the Jani Allan case appeared inordinately rapacious, there is not much prospect of cutting the costs of libel actions significantly.

In any event, should there be a cheaper service, both for those defamed and for those who publish defamatory matter, in pursuing and resisting legal action? Is this form of legal service really necessary at all?

Those who feel the need to redeem their unjustly tarnished reputation by a claim to damages are invited, but not actively encouraged, by the legal system. The system demonstrates the uniqueness of libel actions by declining to apply the legal aid scheme. Thus only the well-to-do can sensibly afford to take on the might of wealthy newspapers.

It is the public figure mainly who is the object of media attention with potential for defamatory treatment. Often public figures actually use and enjoy media coverage for their activities, but squeal the moment the publicity turns nasty. In general terms, might it be that they should take the rough with the smooth, and desist from going to law on the one occasion?

If the damages awardable by juries were to be severely reduced by the factor of ongoing and otherwise favourable publicity, that might temper the temptation to sue. And if there is a genuine desire to restore publicly one's proper reputation, should not the Press Complaints Commission proclaim much more vigorously its availability to adjudicate on libel cases, with an obligation on the part of publishers to publish prominently any adverse rulings as an alternative to expensive litigation?

However, so long as society desires to compensate the defamed for loss of reputation – not easily measurable in money terms – there will remain the opportunity for juries to use the occasion for punishing the worst defamers, even if the juries are constrained by judicial pleas for moderation.

There are numerous examples of libel damages being awarded as a deterrent – when a newspaper has behaved intentionally and inexcusably, abused its journalistic powers, distorted information or published material scandalously. In the past, courts have not curbed jury awards of exemplary damages, although there are some welcome signs of the courts putting a brake on jury awards.

The not so well-to-do and the poor are palpably discriminated against by the legal system. They simply cannot afford to do more than threaten proceedings, in the hope that a modest payment coupled with an apology may be forthcoming. The prospect of the day in court is daunting, to say the least. The absence of legal aid for libel actions is, on the face of it, socially unjust.

For 30 years successive committees, both official and unofficial, have urged the government to remedy the apparent unfairness. The Royal Commission on Legal Services, under the chairmanship of Lord Benson, was in 1979 the latest voice raised in support of applying legal aid to libel. Yet the Treasury has stoutly resisted all blandishments, for fear of burdening the public purse.

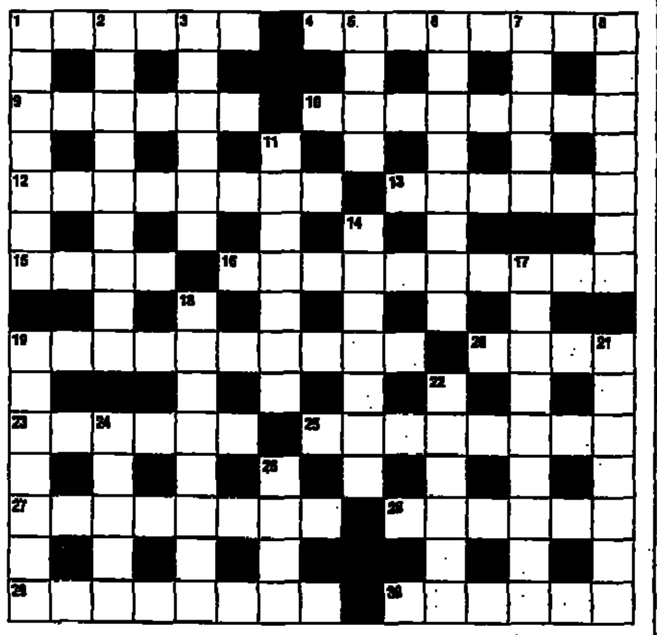
If there were methods for guaranteeing the grant of a legal aid certificate only to those cases in which the plaintiff was almost bound to succeed – something more than a reasonable cause of action – there would be less worry over the public expense. The legal aid fund would almost invariably be reimbursed out of recovered damages.

A limited form of legal aid in libel would redress the balance of unequal treatment among those defamed. It could also lead to a tighter control over the costs of those few cases that were fully litigated.

Louis Blom-Cooper QC

CROSSWORD

No.7,921 Set by DANTE



ACROSS

1 Concern for bird (6)
4 Wild Etruscan horsemen (8)
9 Rough? That's odd (6)
10 Incentive to romp in a bed? (8)
12 Confine Brown without leave to military HQ (8)
13 Cease to be a consumer (6)
15 Health food council (4)
16 City copy published in France (5,5)
19 Systematic though brief in examination (10)
20 Dry fresh air before break of day (4)
23 The vicar's address (6)
25 Can't have venison without a bottle of wine (8)
27 Tax or cheat (8)
28 Following inflation it offers comfort to the holiday-maker (3-3)
29 Contestant unfortunately slain in sudden attack (8)
30 Finish behind the fullback to protect the goal (6)

DOWN

1 Made a choice and flopped down (7)
2 Container for spread (5,4)
3 No traffic is met in such a street (3,3)
5 Cheese that's badly made (4)
6 Don't be in a hurry to use a stopwatch (4,4)
7 The kind of crust found only on the best pies? (5)
8 This owl doesn't give a hoot (7)
11 Kind of people who follow the herd (7)
14 Keep changing dialect (7)
17 Vessel in race around island – taking the record (9)
18 Enormous leakage in fuel (8)
19 Art master's pet dog (7)
21 Hooted at performance after free admission (7)
22 Stick around at home like a dog (6)
24 Mature, or just mature over one point (5)
26 Disputes in banks (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 22.